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World Business Newspaper http://www.FT.com TUESDAY AUGUST 27 1996

Threat to freeze US assets of Lloyd's of London

New York state's insurance watchdog is ready to freeze the US assets of the Lloyd's of London insurance market if necessary. The warning comes just before Lloyd's appeals against Friday's highly damaging ruling by a US federal court in its struggle to complete a £3.2bn ($5bn) financial restructuring this week. Lloyd's has $12bn in trust funds at Citibank in New York to support US underwriting. Page 5

Lebed seeks backing: Russian security chief Alexander Lebed launched a vigorous political offensive to win Kremlin support for his efforts to secure peace in Chechnya. He met prime minister Victor Chernomyrdin, but was again refused a meeting with President Boris Yeltsin. Page 12

Airbus hijacked to Cyprus: A man hijacked a Sudan Airways Airbus 310 on a flight from Khartoum to Amman and demanded that it be flown to Cyprus. The captain told the Cairo control tower he was complying with the demand.

Ukraine currency weakens: Ukraine's karbovanets currency was marked down by Kiev traders a day after the government announced that a new currency, the hryvna, would replace it next week. Page 2

Beijing demands halt to arms sale: China demanded that the US cancel plans to sell Stinger missile launchers and other weapons to Taiwan to prevent "new damage" to Sino-US relations. Page 4

Conseco buys four concerns: Acquisitive US life company Conseco announced four acquisitions totalling $2.04bn. It has bought 25 life insurance companies since 1982. Page 13

Ferry rescue: All 117 people aboard were safely evacuated when a French ferry caught fire near the British island of Guernsey.

Hong Kong sees launch of new group:

A new political grouping has been launched in Hong Kong as the colony prepares for the handover to China. Hong Kong legislator Emily Lau (above) displayed the manifesto of the Frontier group, an alliance of students, trade unionists and teachers which wants all Hong Kong people to have a vote for the head of the post-1997 administration and opposes China's plan to replace the existing legislature. Page 4

Estonia vote: Neither candidate for the presidency of Estonia won enough votes in the Baltic state's parliament. A second round is due today , with the election open for new nominations. Page 2

Malaysian PM hits at west: Malaysian prime minister Mahathir Mohamad accused western nations of using unethical methods to hinder Asia's development and said they should not fear the region's progress. He said western nations embraced free trade until Asian products began encroaching on markets in Europe and North America.

Pakistan denial: Pakistan dismissed a US newspaper report that it was building a missile plant near Islamabad with Chinese help as "another false and malicious story".

Egyptian doctor held: Egyptian police have arrested a doctor after the circumcision at a private hospital of a 14-year-old girl who later died. He has been charged with negligence. Female circumcision was banned in Egypt's public hospitals last month.

Jordan plans changes: Jordan announced measures to boost private investment and create jobs in the wake of recent bread riots.

England overwhelmed: Pakistan beat England by nine wickets in the third cricket Test at London's Oval to take the series 2-0. England, starting the day at 74-0, collapsed to 242 all out, losing six wickets to leg-spinner Mushtaq Ahmed.

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■ STOCK MARKET INDICES		
Tokyo Nikkei	20,883.74	(-345.06)
New York lunchtime		
Dow Jones Ind Ave	5,693.15	(-29.59)
S&P Composite	663.53	(-3.50)

■ US RATES		
Federal Funds:	5⅛%	(5¼%)
3-mo Treas Bills: Yld	5.183%	(5.144%)
Long Bond	97 7/32	(97 23/32)
Yield	6.967%	(6.926%)

■ GOLD		
New York Comex (Dec)	$394.5	(393.2)

■ STERLING		
New York :		
$	1.55625	(1.5588)

■ DOLLAR	
New York :	
DM	1.478
FFr	5.0555
SFr	1.19405
Y	107.725
Tokyo close Y 108.025	
London markets closed	

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lts 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.85	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.50	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£85.00
Finland	FM15.50	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L90,000
Germany	DM4.00	Lebanon	LL3,000			UAE	Dh12.00

US telecoms groups in $19bn deal

WorldCom and MFS set sights on expansion in Europe

By Richard Waters in New York

Two of the US's fastest growing telecommunications companies unveiled a $19.4bn combination yesterday in a deal intended in part to provide a springboard for rapid expansion in Europe's business telephone market.

WorldCom, the US's fourth-biggest long-distance carrier, will acquire MFS Communications, a company that has built a series of local telephone networks in the US and Europe over the past decade, in an all-stock deal which values MFS at $10bn.

The agreed takeover is the latest prompted by this year's Telecommunications Act in the US, which has set in train a deregulation of the country's telephone markets.

Mr James Crowe, chairman of MFS, said the merger would provide the resources to invest heavily in building new fibre optic networks in foreign cities. Over the next five years, he added, the company planned to build its own networks in 45 financial centres around the world.

By combining their existing local and long-distance fibre optic networks, the two companies are set to offer a complete package of services to business customers in the US as soon as the deal is completed. That could give them a head start over other US long-distance and local telephone companies, which must meet a series of regulatory requirements and conclude complex interconnection agreements before being able to offer a full range of telephone services.

WorldCom's offer of 2.1 shares for each of the 221m MFS shares outstanding, led to a $4¾ fall in its stock price to $22¼ yesterday morning. Shares in MFS rose $9 to $43⅞.

Mr Bernard Ebbers, who has made WorldCom one of the US's fastest growing companies over the past decade, said the agreement would hurt the company's earnings per share over the next three years, but by the end of that period the savings from the combination would have equalled the full purchase price.

The two companies said they would save money because WorldCom would be able to reduce the access charges it pays to other local companies to complete its long-distance calls, and because the two would be able to use each other's infrastructure.

Mr Crowe added that the deal would free MFS to spend more on building networks in cities abroad. It would no longer need to build a long-distance network in the US, or an undersea cable across the Atlantic, he said.

MFS's capital spending currently stands at some $600m a year, but the company had indicated earlier that it intended to lift that to $1.1bn.

MFS already has an extensive fibre optic network in London. It also has less extensive networks in Paris, Frankfurt and Stockholm, and has received a licence to build in Amsterdam and some other German cities. MFS has just completed a $2bn acquisition of UUnet Technologies, a provider of Internet access services.

Once the latest deal is completed, WorldCom will become the first US company to be able to offer local, long-distance and international service on its own networks, as well as Internet access, Mr Ebbers said.

Mr Ebbers predicted that selling local service and Internet access to WorldCom's existing long-distance customers would reduce the rate at which it loses customers from over 2.5 per cent a month at present to under 1.5 per cent.

Lex, Page 12

Clinton targets gun control on trip to woo Midwest

By Patti Waldmeir in Chicago

US president Bill Clinton yesterday proposed tougher gun control laws as he continued his whistle-stop tour of the Midwest to the Democratic party convention which opened in Chicago last night.

The president has proved a quick learner in the art of "pullman politics", exploited by presidents since Abraham Lincoln to boost their popularity among grassroots voters. Travelling in the same train used in a 1948 come-from-behind campaign by Harry Truman, Mr Clinton passed through the key swing state of Ohio yesterday.

Waving from the back platform of a flag-bedecked rail car christened the "21st century express", Mr Clinton appeared rejuvenated by the kind of campaigning he likes best: direct contact with voters. He relied heavily on railway metaphors to convey his message: "I want America to know that we're on the right track in this country and we're going forward," he told an Ohio rally yesterday.

The president's rail journey, carefully scripted by two Hollywood producers, is designed to provide the drama lacking at the convention hall in Chicago, and to build suspense for his arrival at the convention tomorrow night when his party will nominate him to run for a *second term*.

Every day, he is due to announce a new initiative to capture headlines. Yesterday, he sought to adopt a tough profile on crime, by proposing a minor change to laws to restrict gun sales to criminals. He proposed that those convicted of domestic violence – a misdemeanour – be prevented from purchasing guns. Those guilty of felonies are already barred from gun ownership.

"I believe strongly in the right of Americans to own guns. But if you commit an act of violence against your wife or your spouse, you shouldn't have a gun," he said.

The limited nature of the proposal reflects Mr Clinton's incremental approach to politics, which focuses on small improvements likely to be popular with voters rather than revolutionary change.

This approach has proved popular. A CNN poll published yesterday showed Mr Clinton leading his Republican challenger, Mr Bob Dole, by 12 points even before the convention began, up from 7 per cent the week before, when ratings were boosted by the Republican party convention.

The president will be hoping to widen that lead further after the week-long Chicago celebration of his nomination.

Democrats eager to reflect diversity, Page 3

Chun Doo-hwan sentenced to die ■ Roh Tae-woo and four businessmen given jail terms

Former South Korean presidents Roh Tae-woo (left) and Chun Doo-hwan grasp hands as they are sentenced in a Seoul court yesterday after being found guilty of mutiny and sedition. Reuter

Former Korean leaders found guilty over coup

By John Burton in Seoul

A former South Korean president was sentenced to death yesterday and his successor was jailed for 22½ years for leading a coup and taking bribes.

Four businessmen, including Mr Kim Woo-choong, the founder and chairman of the large Daewoo conglomerate, were given jail terms for bribing the two ex-presidents. Mr Lee Kun-hee, the Samsung chairman, and several other business leaders received suspended jail terms for corruption.

The death sentence on Mr Chun Doo-hwan and the jail term for Mr Roh Tae-woo were imposed after they were convicted of leading an army coup that brought them to power, and accepting millions of dollars in corporate bribes while in office.

Few believe that Mr Chun will be executed because President Kim Young-sam is expected to reduce the sentences of the ex-presidents in a display of executive clemency if court appeals fail to do so.

The prison sentences for Mr Kim and the heads of three other business groups for giving bribes to Mr Chun and Mr Roh came as a surprise – the executives had been expected to receive lenient treatment because of their importance to the Korean economy.

The Daewoo chairman faces two years' imprisonment, together with Mr Chung Tae-soo of the Hanbo steel and construction group and Mr Chang Jin-ho of the Jinro beverage group, if they lose expected appeals. Mr Choi Won-suk of the Dong-ah construction group received a 2½-year prison sentence.

The two former presidents, dressed in powder-blue prison uniforms, briefly squeezed each other's hand in support before the sentence was read by a panel of three Seoul district court judges that had convicted them. They remained composed after the verdict.

The current president, a former political dissident who ordered the arrest of Mr Chun and Mr Roh last autumn, said

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Jail terms may harm Korean economy, Page 4

Lufthansa profits decline 37% after rivals cut prices

By Sarah Althaus in Frankfurt

Lufthansa, the German airline, said yesterday that aggressive price cuts by competitors and a fire at Düsseldorf airport had contributed to a 37 per cent fall in pre-tax profits in the first six months.

Interim profits were DM119m ($79.8m), compared with last year's DM189m. Although this was better than provisional figures released last month, investors were unmoved, and the shares eased to DM208.

The airline repeated that its goal for the full year was to match its record 1995 earnings of DM756m. It aims to save DM190m this year by cutting flights and reducing staff in an effort to counter falling passenger numbers.

Interim sales increased from DM9.2bn to DM9.8bn. For the full year, revenues are expected to rise about 5 per cent from DM19.9bn last time, the group said.

Lufthansa's Condor unit and its technical services and systems divisions contributed more than DM600m to interim turnover. The cargo business was the only unit to report lower sales. This was attributed to the weak domestic economy.

Passenger numbers edged up 0.4 per cent to 19.7m, with figures in Germany falling "well short of expectations", Lufthansa said. Cargo tonnage rose 2.8 per cent to 808,600 tonnes. Overall load factor, or aircraft utilisation, fell 1.6 points to 68.3 per cent.

Product improvements helped fuel a 5 per cent increase in revenue per passenger kilometre. This more than offset a slight decline in yields per tonne of air freight.

Capital expenditure rose from DM798m to DM1.06bn, with DM810m spent on aircraft purchases or down payments.

The results announcement follows a turbulent period for Lufthansa's share price, after a German newspaper reported in June that the group would make a big loss in the first half. The stock fell sharply after Lufthansa confirmed that the period had been unsatisfactory. It was not until last month that Mr Jürgen Weber, the chairman, said the airline had made a profit.

● Lufthansa yesterday distanced itself from an aggressive attempt by one of its sales teams to raise its market share.

The carrier's North Bavarian sales team had sent letters to some 20 travel agents encouraging them to keep the British Airways share of the German market below 15 per cent from mid-October to mid-December this year or risk getting worse terms of business from Lufthansa.

Lufthansa said the incident was unauthorised and that there would be "consequences" for the department involved.

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Inflation index poses problem for Emu

By Gillian Tett, Economics Correspondent

Efforts to harmonise inflation data for European monetary union are being threatened by a disagreement over what data to include in the index.

The problem means that European leaders may not have completely comparable data to enable them to judge which countries can join Emu.

European statisticians, who are battling to resolve the problem, insist that any discrepancies in the numbers should be relatively small.

But any divergence in the data could generate political controversy when the Emu members are decided – particularly if some countries miss the inflation criterion for monetary union by a small margin.

The problem has arisen because inflation is one of the criteria that will be used to measure whether countries qualify for Emu.

According to the Maastricht treaty, any country joining Emu in 1999 will need to have recorded an inflation rate in 1997 that is no more than 1.5 percentage points higher than the average of the best three performing EU countries.

To judge this, the European Commission will need inflation data that is measured in the same way in all countries.

However, the different EU countries currently use varying methodology to track prices – and include different items in their indices.

Eurostat, the statistical wing of the Commission, made one attempt to solve this problem earlier this year by publishing semi-harmonised data which excluded all controversial items.

And it originally hoped that it would produce a fully harmonised series next year.

Although it plans to publish a new series at the start of next year, this will still not be fully harmonised, because it will exclude items which remain controversial – such as housing costs, health and education.

Some statisticians hope that more comprehensive data may be available in later 1997. And considerable improvements in methodology have already been agreed.

But other observers fear that truly comparable data may not available until well after 1997 – or beyond the decision point for Emu.

As one national statistician says: "There are still big problems which need to be resolved."

Another adds: "It is still a long way to go until the EU data will look as reliable as our national data."

Excluding housing costs from the data in particular can have a significant impact on inflation numbers.

The difficulty has arisen because EU countries have very different housing practices.

Some countries such as Germany have a large rented sector, and measure rental prices. But others, such as the UK and Ireland, measure house prices instead.

A similar problem stems from the treatment of public health and education costs, since some countries include them while others do not.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maravigia, 42 Rue La Boétie, 75008 PARIS. Telephone (01) 5376 8254, Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jonköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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Coffee and politics in Banja Luka

Edward Mortimer and Laura Silber on a Bosnian city's preparations for polls

Last September, when Croatia's victorious army was sweeping through north-western Bosnia, an exultant President Franjo Tudjman declared he would soon drink coffee in the Hotel Bosna in Banja Luka.

In fact he bowed to international pressure and halted his advance just short of Bosnia's second city, which remains the largest in Serb hands and seems almost certain to become the capital of the Bosnian Serb entity, Republika Srpska.

The Hotel Bosna forms one side of Banja Luka's "Serbian Rulers' Square", between two nearly identical neo-baroque buildings glaring at each other across the open space: the university, which houses the office of Mrs Biljana Plavsic, acting president, and the town hall headquarters of her opponent in next month's presidential election, the popular mayor, Mr Predrag Radic.

On the hotel terrace, the Bosnian Serb elite takes its ease of an evening, but is not taking a break from politics. With internationally organised Bosnian elections set for September 14, government and opposition leaders can be seen moving from table to table, conferring with friends, wheeling and dealing with professors and war profiteers, chatting to journalists, or acknowledging the deferential greetings of supporters.

Secret police operatives keep watch on the scene, which includes a table permanently occupied by the leaders of the defunct "Serb republic of Krajina" in Croatia, which Mr Tudjman's army overran just over a year ago, driving out its nearly 200,000 Serb inhabitants. Many are now refugees in the Banja Luka area.

CAMPAIGNING IN VLASENICA: As elections near in Bosnia, ultra-nationalist candidate Vojislav Seselj, Serbian Radical party head, meets supporters in eastern Bosnia Reuter

Conspicuous by his absence is Mr Radovan Karadzic, the Bosnian Serb leader who last month, under intense international pressure, stepped down in favour of Mrs Plavsic. Indicted war criminals are barred from office under the Dayton peace agreement.

That has not dented the confidence of his Serb Democratic Party (SDS), which most observers expect to win a comfortable majority of the Serb vote, as it did in Bosnia's last (and first) free election in 1990.

It is true that opposition posters, including those of Mr Radic, are more conspicuous than those of the SDS in Banja Luka. Indeed, posters of Mrs Plavsic herself are nowhere to be seen. But that reflects more arrogance than disarray in the ruling party. "Yes, we'll have some," she says, "although personally I don't believe it's necessary."

Mrs Plavsic, a former biology professor in Sarajevo, seems unruffled by her new role: "I didn't need to change anything in my politics". She scoffs at the "disinformation in the world that Mr Karadzic invented the policies of Republika Srpska".

"Those policies were created in 61 meetings of our national assembly during the war. I was part of that process and no one has the right to change those policies."

For her, that clearly means Bosnia will remain partitioned and – contrary to the Dayton agreement – none of its more than 2m displaced people will return to their homes. Mrs Plavsic insists not a single Serb wants to return to his home in the Moslem-Croat Federation "and they won't".

She agrees that under Dayton she "cannot forbid" Moslems from returning to their homes in Serb-controlled territory. "But I ask where we're going to put them, when we have 500,000 [Serb] refugees who have left their centuries-old property and are now living an entire family to one room."

Republika Srpska, she claims, has only 22 per cent of the housing in "former Bosnia-Hercegovina", and its obligation is to house Serb refugees, "not to accommodate Moslems".

Mrs Plavsic admits to occasional telephone conversations with Mr Karadzic, but stresses that he remains at home in Pale, the entity's present capital close to Sarajevo, while she has moved her base to Banja Luka.

One point on which she agrees with Mr Radic – an SDS defector who, she predicts, will no longer be mayor after the elections – is that Banja Luka, with its leafy boulevards, large population and relatively developed infrastructure, is much better suited to be a capital city than Pale, a ski resort.

For the elections, the SDS has allied with extreme nationalist parties based in Serbia proper. Mrs Plavsic lumps all other parties together as the "left bloc", implying they are cat's paws of the Socialist Party of Serbia led by President Slobodan Milosevic.

Claiming to be a lifelong anti-communist, she makes no secret of her contempt for the Serbian president, who signed the Dayton agreement and forced the Bosnian Serbs to accept it.

Mrs Plavsic says she once told Mr Milosevic to his face that "the entire Serb people" held him responsible for the loss of Krajina to Croatia, and "it is a real pity the Serbs don't have a proper leader, as the Croats have Tudjman".

Rühe puts figure on troop numbers

The German government has started to prepare public opinion to expect a continued presence of allied forces, including Germans, in former Yugoslavia after the mandate for the Nato-led Ifor peace keeping force expires at the end of this year, Peter Norman writes from Bonn.

Breaking an informal understanding that western politicians should not give the issue prominence before next month's Bosnian elections and US elections in November, Mr Volker Rühe, German defence minister, said discussions among the allies on a new mandate would begin at the end of September at a Nato defence ministers' meeting in the Norwegian city of Bergen.

Giving a first indication of possible troop strengths, Mr Rühe said the allied role in Bosnia next year could be handled by up to 20,000 well armed troops with strong air support. This compares with an Ifor force of around 50,000 at present.

In an interview with the Bild am Sonntag newspaper, the minister said there were clear signs of cross party support in Germany for continued involvement by the German Bundeswehr, although with "markedly fewer soldiers" than at present. German has about 3,000 troops in Croatia and a further 500 Luftwaffe personnel in Italy to support German Tornado air missions over Bosnia.

Britons held in Norway on suspicion of fraud

Two Britons were remanded in custody for two weeks yesterday by a court in Stavanger in Norway after being arrested over the weekend on suspicion of involvement in an alleged fraud against Statoil, the state-owned Norwegian oil company, writes Hugh Carnegy in Stockholm.

Police in Stavanger said a year-long investigation in which police in Britain co-operated closely had led to the arrests of a 51-year-old senior engineer at Statoil and the 41-year-old owner of Idavoll, a North Sea oil industry consultancy which has had a series of contracts with Statoil worth a total of NKr80m ($12.4m). Neither was named, in accordance with Norwegian legal procedure.

The owner of Idavoll, who has lived in Norway since the early 1980s, admitted to police he had made a series of payments to the Statoil engineer over the past four years totalling £30,000 in acknowledgement for the many employees hired to Statoil through Idavoll. But he denied this had caused any damage to Statoil, his lawyer said.

"He accepts it was morally wrong, but he does not believe he broke Norwegian law," Mr Hakon Helle, his lawyer said.

Mr Helle said the Idavoll owner inherited the arrangement to pay the Statoil engineer from his predecessor, who died in 1992. The Statoil engineer is suspected by police to have received in total about £70,000 into a bank account in Guernsey in the Channel Islands from Idavoll.

Statoil said it had contracts over the past eight years with Idavoll worth NKr80m. It said in most cases Idavoll had acted as an agency supplying teams of engineers and workers for specific maintenance and other contracts or had helped supply individuals for specific tasks within Statoil.

Stavanger police said they had conducted searches of the suspects' houses and had seized a large amount of papers and data that were being analysed.

They said other individuals had been questioned by police in Britain, but declined to give further details.

They added that they had no grounds at present for any more arrests.

Money changers mark down Ukraine currency

By Matthew Kaminski in Kiev

The karbovanets, the Ukrainian currency, was yesterday marked down in street trading and exchange booths in the capital Kiev, a day after the government announced that a new currency, the hryvna, would replace it next week.

Ukraine's inter-bank currency auction was closed for the independence day holiday and the karbovanets, in light trading on the Moscow foreign exchange market, held steady at 177,200 against the dollar; but it fell to 205,000 at some exchange kiosks in Kiev from 175,000 the previous day.

Most kiosks simply widened the buy/sell margins – the dollar cost 200,000 karbovanets at the Mekos store, in central Kiev, but only 185,000 karbovanets could be bought for a buck.

The fluctuation in the street rate reflects popular unease that the government might use the currency reform to confiscate karbovanets kept under beds – and out of tax collector's hands.

Ukraine's socialist party yesterday called on the government to impose a "different exchange coefficient" for amounts which "exceed commonly understood bounds of legally earned money".

Some commercial banks have discounted for a possible flight back to the dollar in the run-up to September 2, when the hryvna comes into circulation.

The central bank last night stepped up its public relations campaign. The hryvna simply knocks off five zeros off the karbovanets, it said, and any amount can be swapped during the two week exchange period. It urged citizens to shun the high dollar rates.

Mr Victor Pynzanyk, deputy prime minister, said Kiev would not confiscate savings: "We hope to never return to the time when serious economic decisions were built on to political games". Another official decried "agitation of the population" by communists or currency speculators.

Italian government set to rule on TV ownership

By David Lane in Rome

The Italian government is expected to announce measures today to deal with a ruling by the constitutional court that current Italian law allows too much concentration of ownership in television.

In December 1994 the court declared unconstitutional the section of the 1990 broadcasting legislation that allows a single operator to have 25 per cent of the total number of national channels – suggesting a 20 per cent ceiling.

This would affect Mediaset, the television part of Mr Silvio Berlusconi's Fininvest group, which has three of Italy's 12 national channels – Canale 5, Italia 1 and Retequattro – qualifying under the current ceiling but exceeding the court's proposed 20 per cent.

The three channels have a combined share of more than 40 per cent of the Italian audience.

The court gave parliament until today to rectify the situation.

The then rightwing government led by Mr Berlusconi and the successor technocratic administration of Mr Lamberto Dini failed to find a solution.

The matter has not been brought before parliament, which is currently in recess for the summer break, and the task has now fallen to Mr Romano Prodi's centre-left government.

Mr Berlusconi's political role has ensured that television ownership has been a political issue.

In a referendum last year, Italians voted against a proposal to reduce the number of channels owned by any company to one, to prevent films being interrupted by advertising and to prevent an advertising sales company working for more than two channels.

Parliament may take account of this favourable outcome for Mediaset when legislating, though the referendum's outcome has no effect on the constitutional court's ruling.

Boost for Polish mobile phone groups

By Christopher Bobinski in Warsaw

Two private mobile phone groups in Poland have received a boost in their long-running negotiations with the state-owned telecoms monopoly over fees for using its landlines.

Their hand in the negotiations has been strengthened because the country's civil rights ombudsman has taken the telecommunications ministry to court in an anti-monopoly case.

The two GSM mobile phone operators – Polkomtel and Polska Telefonia Cyfrowa (PTC) – have been in a weak negotiating position against state-owned telecom company Telekomunikacja Polska SA (TPSA).

This is because the operators' licences they got from the government in February oblige them to use TPSA to connect calls between their subscribers and fixed telephones, as well as calls between their mobile subscribers.

But now Professor Adam Zielinski, the civil rights ombudsman, is arguing in the name of Poland's consumers that TPSA's privileged market position contravenes the country's anti-monopoly laws.

The ombudsman has the backing of the Anti-Monopoly Commission headed by Mr Andrzej Sopocko, which is concerned at the strength of TPSA's position in domestic telecom services. Critics of TPSA fear its dominance could even grow as a result of the government's eagerness to increase its sell-off value once a start is made on privatising the enterprise, possibly next year.

The ombudsman's case is before the Administrative Court, which has power to waive official decisions that infringe the law.

The Polkomtel mobile phone group is led by Air Touch of the US and Tele Danmark and includes a number of powerful Polish state-owned companies.

The other group, PTC, is owned by US West and Deutsche Telekom of Germany as well as Elektrim, the listed Polish conglomerate.

The two GSM operators are planning to spend a total of $2bn on their mobile networks by the end of the century and a limited service is due to start this autumn.

The interconnect fee is a key component of their cost structure. It will have to be fixed soon to enable prices to be announced.

The main alternative networks the mobile operators could use instead of TPSA are those owned by Polskie Sieci Energetyczne (PSE), the power grid company, which is part of the Polkomtel consortium, and the Polish railway's communications system.

The two new GSM networks will be competing with an older NMT system run by Centertel, a joint venture between TPSA and Ameritech of the US working with France Télécom.

Centertel, in place since 1993, has 110,000 subscribers. It, too, is under pressure from TPSA to double its interconnect payments.

Barricades ready over night flights

David Owen on a French town's anger at plans for a DHL distribution centre

With its garden gnomes and its quaint latticed houses, the eastern French town of Holtzheim does not seem the sort of place whose 2,000 citizens would take readily to the barricades.

But that is just what they are threatening to do over plans for DHL, the international courier group, to site a distribution centre at nearby Strasbourg airport.

"We won't put on balaclavas and start holding press conferences with kalashnikovs on our knees," says Mr Francis Settelen, deputy mayor. "But people will become violent. It is a declaration of war. If we have to blockade the airport we will do so – all day and all night if necessary."

DHL – which was 25 per cent ownership by Germany's Lufthansa and 25 per cent by Japan Air Lines – needs its aircraft to be able to land and take off at night. People close to the likely nocturnal flight paths fear they might never get a decent night's sleep. "In order to sleep tomorrow, let's wake up today," says the slogan on some of the objectors' posters.

DHL argues that its wide experience of night-flying – it has 215 flights a night in Europe alone – has taught it how to address such concerns.

> The courier says 350 jobs would be created in the first three to four years of operation

It says its aircraft all make less noise than International Civil Aviation Organisation guidelines permit and it uses other techniques to minimise disturbance. For example, the fact that most airports have relatively little night traffic means that aircraft can often land and depart in the same direction if that helps avoid heavily populated districts.

Its present plans call for four flights a night in the final quarter of this year, rising to "probably 13" in 1998-99. It says 350 jobs would be created in the first three to four years of operation and 1,100 in the first 10 years, most hired locally.

Even this relatively prosperous region, known for its beer and *choucroute*, can ill afford to turn jobs away at a time when the French national unemployment rate is at 12.5 per cent and the government is seemingly powerless to stop it rising.

Ms Martine Arnold, Strasbourg's planning and development director, points out that Alsace is "statistically the region with the lowest unemployment rate in France," but there are signs the country's economic problems are beginning to make themselves felt even here. The number of business failures in Alsace in the first half of 1996, for example, was up 35 per cent from corresponding year-earlier levels.

Ms Arnold says Strasbourg's development plans have focused in recent years on Europe – the European parliament and the Council of Europe are based there – and the research strength of the city's university, notably in life sciences, which has helped attract multinational pharmaceuticals companies.

Some have doubts about how well DHL's arrival would square with the city's relatively new-found research metier.

Dr Nicolas Herrenschmidt, director of the university's centre of primatology, has warned that an expansion project of "national and European interest" could be "seriously compromised" by DHL's plans because of the risk of an unacceptable level of nocturnal noise.

The point is not lost on Mr Settelen: "It is too noisy for the monkeys, but for us other monkeys...".

The company is still optimistic it will be able to proceed in October as planned. "We believe the studies will show the impact of our night-flying can be controlled to fit in with the concerns of the local population," says Mr Steven Lewis, Strasbourg project manager. "We are quite sure the economic study will show there is a large benefit not only in the jobs DHL will create itself but in the impact the company will have on the Strasbourg area."

If the answer is no, Mr Lewis is "confident we would find another location", although the company is "not entertaining that thought for the time being".

EUROPEAN NEWS DIGEST

Bonn setback for cuts plan

German government plans to cut spending and ease the burden of the welfare state suffered a setback yesterday, when the conciliation committee of the two houses of the Bonn parliament rejected key parts of the package.

The opposition secured a majority in the committee, which is made up of parliamentarians from the government controlled Bundestag and from the Bundesrat, the second chamber, representing the states, in which Social Democrat-led governments have the upper hand.

It took less than an hour for the committee to throw out government plans to cut sick pay, raise the retirement age for women and relax protection against dismissal for employees of small businesses.

The vote, which was widely expected, does not mean the loss of the planned measures. They are expected to be supported by the Bundestag on Thursday as a preliminary to final acceptance on September 13, when the government will have to muster the votes of an absolute majority of MPs to ensure that they become law.

Peter Norman, Bonn

Kurdish leaders face trial

Leaders of Hadep, Turkey's only legal Kurdish political party, are to go on trial accused of "establishing an illegal armed organisation". Mr Murat Bozlak and 40 other Hadep members will be tried in a state security court where rules of evidence are looser and sentences harsher than in conventional courts. No date has been set.

Prosecutors say Hadep is a front organisation for the banned Kurdistan Workers' party (PKK), which is fighting a separatist war. The indictment is an embarrassment for Turkey's Islamist-led government, which is trying to promote dialogue with moderate Kurdish groups and end the fighting.

Hadep took over 1m votes, mainly in the Kurdish south-east region, in December's elections, but failed to win a seat in parliament.

John Barham, Ankara

Blow to Estonian president

Mr Lennart Meri, Estonia's incumbent president, fared poorly in yesterday's first round of presidential elections in parliament, increasing the chances that a "dark horse" candidate may emerge when the chamber reconvenes today. Mr Meri, who had won public backing of 60 MPs before the secret ballot, got only 45 votes, well short of the 68 needed for re-election. His challenger, Mr Arnold Ruutel, won 34 votes. The remaining 22 MPs abstained.

Mr Meri and Mr Ruutel are expected to be renominated today, but another candidate may step forward. If no winner emerges today, the electoral college will be expanded to include 273 local government officials, among whom Mr Ruutel, leader of the nationalist Farmer's Assembly, enjoys more support.

Matthew Kaminski, Kiev

Icons of the party's left wing are to be given podium time at Chicago convention

Democrats eager to reflect diversity

By Patti Waldmeir in Chicago

The Democratic party will today adopt a platform which eschews many old Democratic policies, even though many delegates and podium speakers at its convention in Chicago are drawn from the liberal wing of the party.

A New York Times poll published yesterday shows that 43 per cent of delegates describe themselves as "very" or "somewhat" liberal, though only 16 per cent of voters nationwide describe themselves in those terms. The Democrats, careful to reflect diversity both on the convention floor and at the podium, choose their delegates by a quota system, with 53 per cent women and 17 per cent black.

The Republican party, which held its convention earlier this month in San Diego, was criticised for showcasing "diverse" candidates at the podium but not on the floor, where only 3 per cent of delegates were black.

And where Republicans carefully screened their podium speakers to avoid extremists who might broadcast divisions within the party, the Democrats are planning to give podium time to some icons of the left, including Rev Jesse Jackson and Senator Edward Kennedy of Massachusetts. Both of them ran unsuccessful presidential campaigns in the 1980s based on a defence of the party's liberal traditions.

Mr Jackson, long known as a rebel within the party, disagrees vehemently with President Bill Clinton about the welfare reform bill he signed last week – as do many delegates in the hall. But he has let it be known that he does not plan to fan that discontent from the podium, when he speaks later today. Like the Republicans in San Diego, he is intent on stressing the heterogeneous element of his party, rather than airing its divisions on national television.

But, ironically, total silence on the welfare issue would probably please Mr Clinton even less than a show of dissent. Contrasting his own agenda with that of the liberals has helped him thus far in the election campaign; to continue to run as a moderate, he may need to remind voters of the alternative.

Liberal speakers will probably claim the limelight early in the week, when Mr Jackson and Mrs Hillary Rodham Clinton – prominently associated with the party's liberal wing – will overshadow other more moderate speakers. But later in the week Vice-President Al Gore and the president himself, both moderates, will dominate.

Mr Clinton's aides say he will use the convention to begin repositioning the party for the new century. But there are few clues in the platform as to how that direction might differ from the president's current course.

The platform calls for "a smaller, more effective, more efficient, less bureaucratic government" and for a "moderate, achievable, common-sense agenda that will improve people's daily lives". It declares "the end of the era of big government" but also "a final rejection of the misguided call to leave our citizens to fend for themselves" – a sideswipe at the Republicans.

The platform focuses on domestic policy, and has little to add on the subject of foreign policy.

President Clinton addresses a crowd in Chillicothe, Ohio, on his way by rail to the Democratic convention in Chicago *Reuter*

Most people in west aware of the Internet

By Paul Taylor in New Orleans

Most westerners have heard of the Internet or the World Wide Web, even though many do not have the capability to use it, according to a survey of 18 countries conducted by the Belgium-based International Research Institutes (Iris).

The survey, which was based on interviews with 15,835 adult consumers in 18 countries in Europe, North America, Mexico and Australia, shows that only a very small proportion of consumers in each country are able to access the Internet from their homes and only a small percentage of adults, mainly upper-income males aged under 55, have had hands-on experience with the Internet.

Within Europe, 91 per cent of consumers in Sweden have heard of the Internet or the World Wide Web, the graphics-based part of the Internet which is based on "pages" of information connected by "hot-links". Bottom of the league table come Spain and Cyprus, where consumer familiarity is 44 per cent and 39 per cent respectively.

Among the survey's other findings:

● Personal computer penetration is highest in Australia (41 per cent), but although many countries have achieved a fairly high level of PC ownership, many households still do not have a modem – a communications device which enables a computer to exchange information over a standard telephone line.

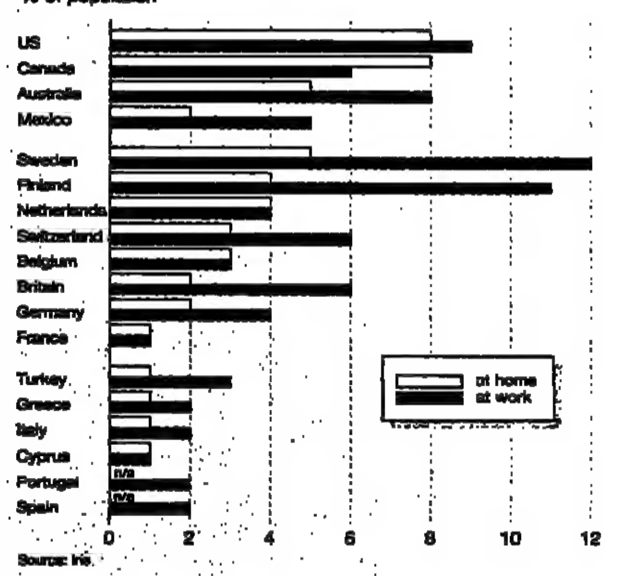
In the US and Canada about a fifth of all households have a PC with a modem. Mr Jim Fouss of Response Analysis in the US said: "The Internet is quickly becoming the communications medium of higher-income consumers in the US, which holds significant implications for how products and services that appeal to higher-income households are marketed and sold in the US market."

● Across the globe, a strong relationship exists between Internet awareness and income levels. In the US, Canada and the Netherlands the proportion of high-income adults who use the Internet at the office is twice that of the general population.

● Men are more likely to be accessing the Internet at home than women in most countries.

This gender gap is biggest in Finland, where the ratio is 8:1, but non-existent in France and Turkey.

Access to the Internet



Source: Iris

Conference to tackle child sex exploitation

By Greg McIvor in Stockholm

The first international congress to examine the issue of commercial sexual exploitation of children opens in Stockholm today against a background of continuing anguish and recrimination over a paedophile scandal exposed in Belgium last week.

Mr Erik Derycke, Belgium's foreign minister, is due to address the five-day conference, the importance of which has been underscored by the Belgian case, in which children were abducted and sexually abused and two were left to starve to death. The case has precipitated a wave of public criticism against the Belgian police and social authorities, illustrating the mounting pressure on policymakers to curb a problem which child protection agencies say is growing swiftly worldwide.

Swedish organisers yesterday said there had been a surge in applications to attend the congress in the wake of the affair.

About 60 governments are expected to be represented and will be joined by some 90 non-governmental organisations. Mr Göran Persson, Swedish prime minister, will open the event, which will focus on developing methods to combat child prostitution, child pornography, and the sale and trafficking of children for sexual purposes.

One of the conference's tasks will be to establish consensus on steps to tackle "sex tourism" in developing countries whereby paedophiles, mostly from industrialised nations, sexually abuse children while abroad.

Among the methods being canvassed are extradition of convicted offenders and tougher legal sanctions, including seizure of paedophiles' assets. A joint declaration by participant nations will establish regional networks to tackle child sex abuse and improve implementation of the United Nations Convention of the Rights of the Child. Measures include improved transnational police co-ordination and greater victim support.

In Sweden, the run-up to the event has been overshadowed by public criticism of the country's lax pornography laws.

The country is one of the few European states where possessing child pornography is legal, a loophole rooted in liberal freedom of expression laws attached to all published matter. Police and children's campaigners claim the exemption has resulted in Sweden becoming a European centre for child pornography.

Public pressure has led to parliamentary attempts to change the law, but efforts have so far foundered because they would require a constitutional change. That would mean ratification by two parliaments, and the earliest date for adoption of new legislation is January 1999.

Sex tourists prey on Colombia's teenagers

The city of Cartagena, on Colombia's Caribbean coast, was repeatedly attacked over the centuries by the French and British. But now the city is being stormed by a different sort of foreigner.

Long a leading resort for holidaying Colombians and Europeans, Cartagena has turned into an important destination for sex tourists, attracted by sun, sea, cheap drugs and juvenile prostitutes.

At night the Bocagrande hotel strip is an open-air sex market place, with girls as young as 12 on offer and groups of Italian, Spanish, German, French and Canadian men bussed from hotels to "discoteques" where they choose adolescent girls with whom they spend the night.

Even the old walled city that resisted so many pirate attacks has fallen to red-light bars, noisy clubs and strip shows where teenage prostitutes wait for clients. Legitimate tourism, already suffering from Colombia's reputation for crime and violence, has been steadily replaced by sleaze travel.

Pressure groups such as End Child Prostitution in Asian Tourism (ECPAT) have publicised the conditions of hundreds of thousands of boys and girls in brothels in Thailand, the Philippines, Sri Lanka and Taiwan, and have pushed through laws in most European nations for the prosecution of sex travel organisers.

Harder to tackle is the sexual use of children by local customers. This week the Bogotá-based non-governmental organisation Renacer is to complete an investigation commissioned by the Colombian government's Family Welfare Institute on juvenile prostitution in Cartagena.

Preliminary findings show the majority of the girls have come to the city from other parts of the country in the hope of making their fortunes from foreigners, but that there are also core groups of local children in the sex trade and regular local clients.

"Colombian culture attaches little social stigma to paying for sex with children," says Ms Marta Cardenas, administrative director of the Renacer Foundation. "The number of under-age girls in prostitution is growing rapidly. Some go into it because they are from very poor, high unemployment areas, but now there are also many children from higher status families. In Cartagena some report making 3m pesos [about $2,800 a month], nearly double the average annual income."

As more local youngsters were drawn into the sex business, the Cartagena authorities started to worry. The mayor sent police to raid child brothels and in July, for the first time, a brothel manager and customer were arrested. But no one knew what to do with the children.

Renacer, which has eight years' experience in Bogotá of therapy for children in prostitution, has been asked by the government to open a unit in Cartagena.

There are believed to be more than 21,000 under-age prostitutes in Colombia, with nearly 10,000 in Bogotá alone. Of those in Renacer homes, 15 per cent of the girls and 60 per cent of the boys have tested positive for HIV/Aids. Similar figures are reported from Brazil and Mexico.

A World Health Organisation paper prepared for the Stockholm congress warns: "... the sexual exploitation of children results in serious, often life-long, even life-threatening, consequences for the physical, psychological and social health and development of the child... The commercial sexual exploitation of children represents an erosion of human values and rights that threatens the health of society."

Timothy Ross

Hollywood of Arab world lives in shadow of its past

Sean Evers on a rescue plan for Egypt's film industry which is now fighting for its survival

In the heat of August only Gamel Abdel Nasser – the Egyptian leader who nationalised the Suez Canal – has the lure to induce nearly 2m Egyptians to sit quietly in front of a screen for 2 hours and 20 minutes.

The film "Nasser 56" is on target to break all box office records in the 70-year history of the Egyptian film industry. It tells the story of Nasser's decision to defy the western world by seizing control of the Suez Canal, allowing the audience to relive what many Egyptians see as the country's greatest moment in the 20th century.

The film's success is a welcome relief to a film community that is fighting for its life.

A once-thriving industry which produced more than 80 films a year and brought the actor Omar Sharif to international attention has faded to a pale shadow of its former self.

Mr Kamal Ganzouri, Egypt's prime minister, has acknowledged that the film industry is in crisis and, in collaboration with the film producers, a rescue plan is being put into place.

"Cairo was, and still is, the Hollywood of the Arab world," says Mr Moneeb Shafic, chairman of the Egyptian Chamber of Cinema. "Egypt not only supplies films to the 22 Arab countries, but to markets in Asia, America, Europe, and Africa."

Ironically, the international appeal of Egyptian films has contributed to the film industry's troubles. It is estimated that the industry loses E£4bn ($1.2bn) a year because of international piracy of its films.

The US, home to 5m people of Arab origin, and the Middle East, with more than 200m people, are said to be the two biggest copyright violators.

The advent of satellite TV and the mushrooming of dishes throughout the Arab world in the aftermath of the Gulf war have seen royalties practically dry up to E£2m a year.

Only 13 films were made last year, the smallest number in the industry's history. The 35 local films screened in Egypt in 1994 made only E£15m. At an average cost of E£1m to produce, the incentive to invest has waned substantially.

Mr Mohammed Fadel, director of "Nasser 56", believes that the Egyptian cinema industry began to deteriorate in 1974, when President Anwar Sadat abandoned socialism and introduced a new "open door policy". "It was not a well thought out policy," he said. "It displaced the educated middle class and supported an uncultured *nouveau riche*... who had no respect for the strong cinema tradition."

Egypt now has a desperate need for cinemas. It once had 450, but only 150 remain open to serve 60m people. Most are in poor condition with outdated equipment.

Cinemas have closed as a result of falling revenues, high taxes and a big rise in property values. There is a 22 per cent "cabaret" tax on tickets, and a 33 per cent tax on box office revenue. Cinemas must pay extremely high electricity rates, which can amount to E£10,000 a month.

With fewer cinemas and rising production costs, film makers have been forced to raise production finance by selling off foreign distribution rights.

The distributors, mainly from the Gulf, started to dictate scripts' content to appeal to external tastes. This is said to have resulted in a decline in artistic standards and has put leading Egyptian film-makers out of work for refusing to compromise.

All these factors have combined to push up the average cinema ticket price from about E£3 to E£10. This has made a E£2 video rental, which can be shared by a whole apartment block, a more comfortable and realistic alternative for a night's entertainment.

Mr Youssef Chahine, a leading Egyptian film-maker, believes that the industry could be revived "if taxes were cut, the bureaucrats sidelined and the industry properly liberalised". The 1996 Locarno International Film Festival commemorated the work of Mr Chahine, screening all 37 of his films – a first for an Arab director.

The Egyptian Chamber of Cinema has spearheaded a critical dialogue with the government to salvage the industry and return its control to Egyptian hands.

According to an official close to the negotiations, the government is set to agree to the chamber's three requests:

● Provision of government land at discount rates on which to build new cinemas.

● Suspension of all taxes related to the industry for a 10-year period, accompanied by a reduction in rates.

● Egyptian government support to protect the rights of Egyptian films outside Egypt.

In the wake of President Hosni Mubarak's recent visit to the US, where the copyright issue was discussed, the FBI has initiated an investigation into piracy of Egyptian intellectual property in the US.

The Egyptian Chamber of Cinema in partnership with two leading Egyptian banks, will launch a limited company later this year. This initiative will complement the expected government reforms.

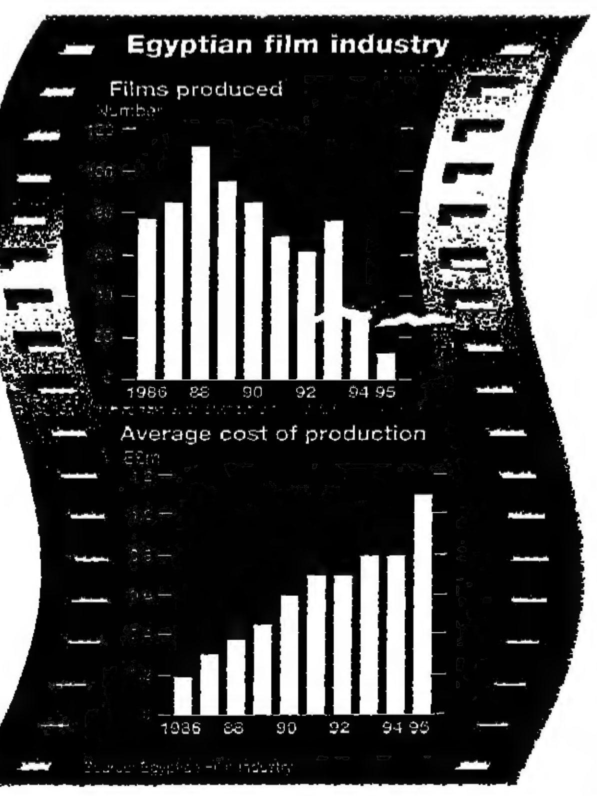
With an initial investment of E£500m, the Egyptian Cinema Company will build new cinemas, studios and labs, and will finance film productions.

Twenty per cent of the finance will come from the members of the chamber (directors, producers and writers), 20 per cent from the National Bank of Egypt and MISR National Bank, 30 per cent from individual strategic investors, and 30 per cent will be floated on the Cairo stock exchange.

The producers of "Nasser 56" have used their film to test the size of the potential film-going audience in Egypt.

The film was placed in more than 20 cinemas throughout the country, with ticket prices ranging from E£1.5 to E£18. They have repeatedly announced that it will not go to video for at least 18 months. The result: it has played to capacity houses since it opened and is grossing about E£1m a week.

Despite all the current difficulties in the industry, Mr Fadel – the director of "Nasser 56" – says: "If you want to make a good film, there is now a new audience waiting at home".



INTERNATIONAL NEWS DIGEST

Israel to cut interest rate

Israel's central bank yesterday said it would cut by 0.5 of a percentage point, to 15.8 per cent, the interest rate it charges commercial banks from September. The move followed a rate cut of 0.7 of a percentage point earlier this month, to 16.3 per cent, after the interest rate peaked at 17 per cent in July.

The central bank said the pace of inflation was now lower than in the first half of the year. The rise of only 0.3 per cent in the consumer price index for July is in sharp contrast to the first half, when annualised inflation headed towards 14.5 per cent.

But the Bank of Israel said inflationary expectations for the next 12 months – at 11 per cent – remained higher than the government target, and the government budget deficit target of Shk7.6bn ($2.4bn) for 1996 might be exceeded by more than Shk4bn. These conditions "require both budgetary restraint and a continuation of monetary restraint".

Meanwhile, the central bank repurchased Shk250m in government bonds as part of a plan to boost bond prices which have fallen sharply because of massive public redemptions from long-term savings funds known as provident funds. The move was the second of three planned interventions in the bond market for August, in which the bank will buy back a total of Shk750m in bonds. *Avi Machlis, Jerusalem*

Yemen defiant over island

Yemen yesterday said it was pulling out of French-led mediation efforts to resolve its dispute with Eritrea over a Red Sea island, and vowed to force a withdrawal of Eritrean troops there.

"There is a limit to our patience", Mr Ghaleb Ali Jamil, vice-foreign minister, said. "We have the right under Article 51 of the United Nations charter to use all means to defend ourselves and to defend our land." The article allows member states to defend themselves against armed attack.

Earlier this month Yemen threatened to take military action against Eritrea if mediation failed to defuse a crisis triggered by the dispatch of Eritrean troops to the disputed Lesser Hanish island, near tanker routes at the Red Sea's southern entrance. Yemen said it sought a peaceful solution to the dispute. The two countries fought briefly last December and then agreed in May to French arbitration.

Mr Jamil praised France's attempt to push negotiations but said they could be resumed only after Eritrea withdrew it troops. *Reuter, Paris*

Opposition to Savimbi post

Angola's Unita rebel group will join a coalition government but will not nominate its leader, Mr Jonas Savimbi, for the vice-president's post, Mr Marcial Dachala, the group's information secretary, was quoted as saying yesterday.

Mr Savimbi, who has said he does not want the job if it were mainly ceremonial, is expected to announce his final decision today. Several speakers at a Unita congress which finished yesterday spoke out against their leader's acceptance of the job, saying it would mean Mr Savimbi's political demise. *AP, Bailundo, Angola*

NEWS: ASIA-PACIFIC

Jail terms may harm Korean economy

John Burton reports on the impact on investor confidence as some chaebol lose their heads

The death sentence handed out yesterday to former South Korean president Chun Doo-hwan and prison terms for his successor Roh Tae-woo and several business leaders may have helped cleansed one of South Korea's darkest chapters. But the price could be increased uncertainty for an economy that is already faltering.

The biggest worry expressed by equity analysts is that the unexpectedly tough prison terms for bribery meted out to Mr Kim Woo-choong, founder and chairman of Daewoo, and three other conglomerate chiefs could undermine investor confidence.

"The fear is that the court's decision could presage new clashes between the government and conglomerates, when they need to co-operate instead to boost economic growth," said Mr Andrew Holland, head of research at BZW Securities in Seoul.

The Federation of Korean Industries, which represents the country's biggest *chaebol* (industrial groups), said the sentences would hurt business confidence and harm Korea's corporate image abroad.

Poor economic news has already depressed the Seoul bourse, with the government recently estimating the trade deficit could reach a record $20bn this year. The general share index closed down almost 2 per cent shortly after the court revealed its verdicts. Further falls are expected.

"The consequences of imprisoning the business leaders are so awful for the economy that the market is hoping that they will receive suspended jail terms on appeal," said Mr Holland.

The courts have normally been lenient toward business leaders tried for corruption by citing their contribution to the nation's economic development. But even if this happens on appeal, concerns remain about the fate of Daewoo and the other debt-laden industrial groups involved in the bribery case with Mr Chun and Mr Roh.

Some analysts believe the government may force the convicted Daewoo chairman to resign from his position. This happened to Mr Chung Ju-yung, the founder of Hyundai, after he was convicted of illegal spending for his unsuccessful presidential campaign in 1992.

There is already talk that the Daewoo founder will go into exile in eastern Europe to oversee the group's car production expansion in the region. However, the removal of Mr Kim from the helm could hurt the group's ambitious $10bn overseas expansion programme since Daewoo is widely considered to be one-man operation centred on Mr Kim.

Mr Kim has personally negotiated most of the group's overseas projects. His conviction and loss of status could make it harder for Daewoo to attract the foreign funds needed to finance global expansion.

Institutional investors overseas have already expressed concerns about Daewoo's high gearing ratio of 300 per cent, with some suggesting that a capital shortage affecting Korea's fourth largest group could result in a financial crisis for the country. Worries have also focused on the financial soundness of the Hanbo steel and construction group, whose chairman also received a jail sentence yesterday.

The Seoul district court explained it imposed prison terms on the four business leaders because all had been prosecuted on previous bribery charges. Besides Daewoo and Hanbo, they included the heads of Dong-ah, one of Korea's largest construction groups, and Jinro, a main beverage producer.

Daewoo's Mr Kim and Mr Choi Won-suk of Dong-ah were convicted last year of offering a bribe for the construction of a nuclear power project in the early 1990s.

Some critics contend that the government of President Kim Young-sam has been selective in pursuing corruption cases by targeting businessmen who have opposed the present administration. Daewoo's Mr Kim has run foul of the government ever since he considered standing as an opposition candidate against President Kim in the 1992 election.

Indeed, the government's punishment of the Mr Chun and Mr Roh, the former military-backed presidents, and the businessmen has come from a blend of altruism and Machiavellian motives. It has enjoyed wide support among the public, which resents the former military dictatorship and the economic power of the *chaebol* that it helped breed.

President Kim has also used the sedition and corruption charges against his predecessors as an opportunity to take control of the ruling party from supporters of the two ex-presidents, thereby consolidating his political power.

Some question remain, however, whether President Kim has created a dangerous precedent for himself. Once he completes his mandated one-term presidency in early 1998, he may be forced to confront opposition charges that he illegally accepted slush funds from his former political ally Mr Roh to finance his 1992 election.

Lee Kun-hee, chairman of Samsung (left), and Mr Kim Woo-choong of Daewoo enter court in Seoul yesterday before sentencing *Pictures by Reuter*

Ramos wants port deal reviewed

By Edward Luce in Manila

President Fidel Ramos yesterday called for a review of last week's decision to award the privatisation of Subic Bay port to Hong Kong-based Hutchison Whampoa in a move which is likely to result in formal re-bidding.

The award, which marked Hutchison's continuing expansion in overseas port management, has been contested by International Container Terminal Services (ICTSI), the Philippines' largest container handling company.

Philippine government officials said the decision to choose Hutchison, which bid $28 per 20ft equivalent unit (TEU), over ICTSI, which bid $56 per TEU, could cost the country up to 8bn pesos ($300m) in forgone revenues. Subic Bay has a capacity of 900,000 TEUs a year.

Officials at Subic Bay, the country's fastest growing special economic zone, disqualified ICTSI from the 25-year contract on the grounds that it already owned the country's largest port in Manila. Port officials cited a government competition circular which stated that one operator could not own more than 20 per cent of a rival port.

"The President is quite concerned because this is one of the major projects of the SBMA [Subic Bay metropolitan authority] and it involves not only Filipinos but foreign participants as well," said Mr Renato Cayetano, the president's chief legal aide, who has until Thursday to submit his findings.

Executives at ICTSI, which has stakes in the ports of Karachi, Veracruz and Buenos Aires, said it would take the matter up to the Supreme Court if both the appeal and the presidential review failed to overturn the decision. "We will fight this to the bitter end no matter how long it takes," said Mr Enriquez Razon, ICTSI chairman. "The decision to disqualify ICTSI was taken on a spurious basis without any regard to legality."

Subic Bay, a US naval base until the Americans left in 1992, is mounting an aggressive drive to attract Hong Kong investors nervous about the 1997 handover to China. Analysts believe the decision to choose Hutchison, Hong Kong's largest port operator and manager of Felixstowe in the UK, could have been influenced by the zone's campaign to attract more investment from the British territory.

A spokesman for Subic yesterday described ICTSI's bid as "bafflingly high" and said a reversal of the Hutchison award would cause "irreparable harm to the country's future as an Asian shipping hub".

Mindanao Christians and Moslems give peace a chance

By Edward Luce recently in Davao City

Mayor Duterte squeezed the trigger and watched the bullet hit its target before turning to acknowledge the applause from the circle of admiring security guards. Armed to the hilt with Colt 45s and super-38s, the Christian mayor and his entourage could have been firing at separatist Moslems instead of cardboard silhouettes.

As self-styled Filipino Christian "frontiersmen", the mayor of Davao City and his followers seemed unlikely supporters of a peace deal with the Philippines' minority Moro community. Yet the deal, which will be signed next week by President Ramos and Mr Nur Misuari, leader of the Philippines' 5m Moslem community, will not succeed without their support.

Mr Duterte, who as mayor of Davao since 1988 is the foremost Christian political figure in the southern Philippines – where the autonomy zone will be based – said local Christians had nothing to fear from the pact with the Moslems. Memories of the war, which has claimed over 100,000 lives since 1972, have, however, left a more hostile imprint among many of the mayor's fellow Christians.

As a populist leader of the island's largest city, with a population of about 1.5m, Mayor Duterte is entering uncharted territory. His campaign to persuade the city's sceptical Christians to back the autonomy deal has also divided his closest relatives.

"Our fathers and our grandfathers migrated to Mindanao [home to most of the country's Moslems] earlier this century and have been fighting Moslems ever since," he said. "Fighting is a way of life here. But as mayor of the largest city in Mindanao it is my responsibility to help the people forget the bitterness of the past and work towards a future where we can all prosper."

In Mindanao, where ubiquitous gun stores have reported a doubling of arms sales since an "interim" deal was signed in June, Mayor Duterte's words cannot be written off as standard political platitudes.

As a one-time opponent of talks with the Moslems and as leader of a city which is 90 per cent Christian, the mayor is taking a sizeable political risk.

Despite the fact that the "interim" autonomy council will have no legislative or police powers, many of the island's 10m Christians believe the deal will transfer substantial powers to their erstwhile Moslem enemies.

Old-style Christian vigilante groups, which operated with impunity on defenceless Moslem villagers in the 1970s during the height of the fighting, are [illegible] be re-grouping.

The Moslem community is hoping President Ramos and Mayor Duterte are sincere in their pledge to defend the impending peace deal. Mr Mags Werblu, a senior Moslem official, whose grandmother was burned alive in her house by troops loyal to the former dictator, President Ferdinand Marcos, in 1981, typifies the mainstream Moro sentiment: "All of us have suffered. We do not want to continue to live in an atmosphere where we are continually harassed by the army for being Moslem."

Others, notably the Abu Sayyaf, a terrorist Moslem group which destroyed the town of Ipil, killing 50 Christians, in an unprecedented daytime raid last year, are as irredentist as some of their hardline Christian opposites. For the first time, however, mainstream leaders of both communities are more committed to each other than their extremist wings.

"I have a great deal of respect for the MNLF [Moro National Liberation Front] generals," said Mr Duterte. "They are good fighters and they stand by their principles. Now, at last, we can agree on one principle: it's time to work together instead of slaughtering each other."

Release of tankan survey of business confidence brought forward

Tokyo awaits business data

By Emiko Terazono in Tokyo

When the Bank of Japan announced last month its intentions of bringing forward the release of its August *tankan* – the quarterly survey of business confidence – Tokyo's financial markets were divided over how to interpret its move.

There were initial fears that the announcement – bringing forward the release by a week to August 28 – meant the bank was in a hurry to raise interest rates, a worry which has dissipated because of increasing doubts over the strength of the economic recovery.

Others argued that it was a part of the bank's new strategy to try to shorten the period between the compilation of the data and its release, especially after an embarrassing incident in June when the details of the May quarterly survey were leaked before the official announcement.

In the past, the Bank of Japan had taken about three weeks to put together the *tankan*, an abbreviation of Japanese for the short-term economy survey of enterprises, which is regarded as influential in monetary policy.

The bank will also change the time of the announcement from 2:00 in the afternoon to 11:00 in the morning, allowing the financial markets to respond. The report will be broken into two parts with only the headline numbers released on the 28th and the details published the day after.

The official explanation for the changes is that the bank has responded to users' wishes, and economists agree the move reflects a belated recognition of the importance of market reaction to economic data. "There is a sense that the bank has started to become more aware of the importance of the financial markets' response," says Mr Yasushi Okuda, economist at brokers BZW.

Bank of Japan officials will no longer give immediate analysis and comment.

Adjustments to the official discount rate have often been made immediately before or after the release of a *tankan* report, but economists do not expect this to happen this week.

Although various economic data released recently have confirm[illegible] a steady recovery, the consensus is that a rise in interest rates is highly unlikely amid diminishing effects of fiscal [illegible]mulus and ahead of a ris[illegible] next ye[illegible]'s consumption tax, says Mr Michael Hartnett, economist at Merill Lynch in Tokyo.

The main concern for policymakers has been that the effects of Y14,000bn ($130bn) public works spending in the last year will fade over the next few months.

Although wages and salaries have bottomed, private consumption is sluggish, with consumption indicators weakening after a strong January to March quarter.

The prolonged weakness of the country's financial system and the banks' disposal of bad loans from their balance sheets are also cited as reasons that the central bank will not be in a hurry to raise interest rates.

The diffusion index, which indicates sentiment on the business outlook among manufacturing companies, is expected to show further improvement thanks to record low interest rates and the weakening of the yen, and could move into positive territory for the first time since 1991.

HK group to promote rights

By John Ridding in Hong Kong

A group of Hong Kong law makers yesterday launched a political grouping aimed at defending democracy and human rights as the territory prepares for the handover to China on July 1 next year.

The Frontier, which includes Ms Emily Lau, a prominent legislator, is a broad alliance of students, trade unionists and teachers rather than a formal party. It calls for universal suffrage for the head of the post-1997 administration and opposes China's plans to replace the existing legislature.

The move comes as China is seeking to win backing for its handover plans from pro-democracy forces in the territory, raising the prospect of divisions within their ranks.

This month, China hinted it would accept representatives from the Democratic party, the largest group in the Legislative Council, as members of a committee which will select the territory's post-1997 leader and a provisional legislature. The call was rejected by the Democrats. But it got public backing in Hong Kong, even from supporters of the party, prompting strains among pro-democracy forces.

Members of The Frontier and of the Democratic party dismissed claims that the new organisation would exacerbate divisions among pro-democracy forces. Mr Martin Lee, Democratic party leader, said he welcomed more voices in support of the same issues, while another official said the five legislators in the Frontier frequently co-operated with the Democrats.

The new organisation does not plan to contest seats in elections, but by "hoisting the banner of human rights, democracy and freedom" the Frontier said it hoped to attract supporters to its cause. It cited concerns about political freedoms after next year's handover.

Like the Democratic party leaders, the leaders of the Frontier reject membership of the Selection Committee which will choose the post-1997 leader. However, in a recent article, Ms Lau predicted that some pro-democracy politicians would join the body, revealing weaknesses in the pro-democracy forces.

ASIA-PACIFIC NEWS DIGEST

Japan spending requests up 8%

General account spending requests from Japanese government departments for the fiscal year beginning next April totalled Y81,400bn ($750bn), finance ministry officials said yesterday – 6 per cent higher than the current year's initial planned spending total.

The bulk of the increase is the result of a sharp rise in debt servicing costs and tax grants to local authorities. The recession of the early 1990s has forced the government to increase borrowing in the face of rising demand for public spending and falling tax revenues. This year alone, the central government was forced to raise about Y22,000bn through the issue of deficit-financing bonds.

Total debt service costs are expected to rise by 11.6 per cent to Y18,270bn next fiscal year. Grants to local authorities will be about Y17,250bn, an increase of 26.8 per cent. General expenditures, excluding debt service costs and local authority grants, are expected to rise by about 3.4 per cent to Y44,620bn. Though the figures are not final, the likely overall spending increase will almost certainly force the government to issue deficit-financing bonds again next year, officials said. *Gerard Baker, Tokyo*

Mitsubishi in China venture

Mitsubishi Motors (MMC), a leading Japanese vehicle maker, has agreed two joint ventures to produce vehicle engines in China.

MMC is the second Japanese company to win approval for engine production in China after Toyota, which announced in May it had won approval for a joint engines manufacturing venture in northern China.

MMC has tied up with Aviation Industries of China to produce 1,300cc petrol engines in Harbin and matching transmission starting in 1998. The engines will be used in cars and light vans manufactured by a subsidiary of the Chinese partner.

The joint venture plans to increase output of the engines and transmissions to 150,000 units in five years. Separately, MMC will make 2,000cc and 2,400cc engines with China Aerospace Automotive Industry Group in Shenyang from 1999. The engines will be used in one-tonne vans and mini-buses made by the Chinese partner. *Michiyo Nakamoto, Tokyo*

Stop missile sale, urges China

China yesterday demanded that the US halt sales of Stinger missiles to Taiwan, as an 80-strong delegation of Taiwanese industrialists prepared to visit Beijing to boost trade and economic ties.

Warning of "new damage" to US-China relations, Beijing called on Washington to live up to promises to reduce weapons sales to the island Beijing regards as a rebel Chinese province. Washington has said the weapons are defensive and do no violate agreements with Beijing.

Business ties between the two sides are growing in spite of political differences. Mr Kao Ching-yuan, vice chairman of President Enterprises, a Taiwanese foods group, will lead a delegation of 80 businessmen to Beijing this week. *Laura Tyson, Taipei*

Indian army rescues pilgrims

Indian army helicopters helped rescue 2,000 pilgrims from the Himalayan foothills at the weekend as tens of thousands of pilgrims climbing to a holy cave ran into below-freezing temperatures and severe wind and rain.

The authorities said 127 people died on the pilgrimage to the holy Amarnath cave, where devotees worship an ice stalagmite. Among the dead were naked holy men.

More than 60,000 pilgrims were marooned at Pahalgam, the base camp for the five-day, 50km trek up to the cave – which lies at 3,880m metres – because all roads were cut off by rains last week. Many pilgrims were angry at what they saw as poor arrangements by the government. "We were sent here to die," one said. *Reuter, Pahalgam*

Sri Lanka raises bread prices

Sri Lanka yesterday announced a sharp increase in bread prices, the third rise in five months, and attempted to soften the blow for state employees with a pay rise.

Tomorrow's 21.5 per cent rise in the price of wheat flo[illegible] follows a 15 per cent rise last month and 5 per cent in April. Prices have risen as the government's spending on the war against Tamil Tiger rebels has escalated beyond the budgeted Rs38bn ($680m) for 1996 – it is now expected to be close to Rs50bn. *Amal Jayasinghe, Colombo*

INTERNATIONAL ECONOMIC INDICATORS: MONEY AND FINANCE

This table shows growth rates for the most widely followed measures of narrow and broad money, a representativ[illegible] [illegible]ort- and long-[illegible] interest rate series and an average equity market yield. All figures are percentages.

	UNITED STATES					JAPAN					GERMANY				
	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2+CDs)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	13.5	8.1	6.49	7.67	3.43	6.9	8.2	5.12	5.35	0.84	9.9	7.3	4.64	5.90	1.79
1987	11.6	6.5	6.82	8.39	3.12	10.5	11.5	4.15	4.64	0.55	9.0	7.3	4.03	6.14	2.21
1988	4.2	5.4	7.65	8.84	3.61	8.4	10.4	4.43	4.77	0.54	9.6	6.4	4.34	6.46	2.81
1989	1.0	4.2	8.99	8.50	3.43	4.1	10.6	5.31	5.16	0.48	6.3	5.7	7.12	6.90	2.22
1990	3.6	5.5	8.06	8.55	3.60	2.6	8.5	7.62	6.90	0.65	4.5	4.5	8.49	8.66	2.11
1991	6.0	3.7	5.87	7.86	3.21	5.2	2.0	7.21	6.40	0.75	5.1	5.6	9.25	8.42	2.38
1992	12.4	2.0	3.75	7.00	2.95	-4.5	-0.4	4.28	5.24	1.00	7.1	8.2	9.52	7.80	2.45
1993	11.6	1.2	3.22	5.86	2.78	3.0	1.4	2.83	4.18	0.87	9.4	7.9	7.28	6.47	2.11
1994	6.2	1.4	4.67	7.08	2.86	5.4	2.9	2.12	4.20	0.78	9.6	9.0	5.36	6.86	1.77
1995	-0.3	2.1	5.93	6.57	2.61	8.2	3.2	1.12	3.39	0.86	3.7	0.0	4.53	6.82	2.00
3rd qtr.1995	-0.6	3.0	5.79	6.32	2.53	8.6	2.8	0.66	3.05	0.86	3.2	-0.7	4.41	6.68	1.98
4th qtr.1995	-1.8	4.0	5.73	5.89	2.38	12.9	3.2	0.43	2.88	0.81	4.9	1.3	4.01	6.32	2.02
1st qtr.1996	-2.4	5.3	5.30	5.89	2.21	15.5	3.1	0.49	3.16	0.76	9.5	5.4	3.45	6.17	1.88
2nd qtr.1996	-2.5	5.3	5.42	6.70	2.16	15.7	3.6	0.49	3.24	0.72	10.5	7.3	3.33	6.47	1.87
August 1995	-0.5	3.1	5.82	6.50	2.55	8.6	2.9	0.71	3.25	0.85	3.4	-0.6	4.46	6.71	1.97
September	-0.9	3.5	5.74	6.19	2.48	9.9	2.8	0.46	2.97	0.82	3.5	-0.1	4.19	6.58	1.96
October	-1.6	3.7	5.81	6.03	2.46	12.1	2.7	0.41	2.89	0.83	4.0	0.4	4.09	6.55	2.04
November	-1.7	3.9	5.74	5.93	2.42	13.9	3.4	0.44	2.86	0.83	4.4	1.0	4.01	6.32	2.04
December	-2.1	4.4	5.63	5.71	2.24	12.6	3.2	0.42	2.86	0.77	6.3	2.5	3.94	6.07	1.97
January 1996	-2.6	4.6	5.42	5.64	2.26	14.7	3.1	0.45	3.10	0.75	8.2	3.7	3.62	5.90	1.88
February	-2.7	5.1	5.15	5.81	2.17	15.7	2.8	0.50	3.19	0.75	9.7	5.9	3.35	6.18	1.86
March	-1.9	6.0	5.31	6.26	2.19	16.1	3.1	0.51	3.18	0.77	10.6	6.7	3.36	6.44	1.91
April	-2.4	5.9	5.38	6.50	2.20	15.3	3.0	0.49	3.23	0.71	10.6	7.1	3.33	6.39	1.88
May	-2.5	5.3	5.39	6.72	2.18	15.5	3.3	0.52	3.28	0.72	10.4	7.5	3.29	6.45	1.87
June	-2.4	4.9	5.48	6.90	2.17	16.3	3.8	0.46	3.19	0.71	10.4	7.2	3.38	6.57	1.84
July	-3.2	4.5	5.53	6.85	2.25	14.6	3.7	0.55	3.27	0.74			3.38	6.48	1.85

	FRANCE					ITALY					UNITED KINGDOM				
	Narrow Money (M1)	Broad Money (M3)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M1)	Broad Money (M2)	Short Interest Rate	Long Interest Rate	Equity Market Yield	Narrow Money (M0)	Broad Money (M4)	Short Interest Rate	Long Interest Rate	Equity Market Yield
1986	6.9	6.4	7.79	8.36	2.65	10.5	8.4	13.25	11.47	1.41	4.0	15.4	11.02	10.21	4.35
1987	4.1	11.5	8.63	9.46	2.75	10.4	9.6	11.32	10.58	1.94	4.7	15.2	9.77	9.69	3.60
1988	3.9	8.3	7.94	9.08	3.69	7.8	8.5	[illegible]	10.54	2.71	6.8	17.3	10.41	9.62	[illegible]
1989	7.5	10.0	9.40	8.79	2.88	7.1	9.3	12.42	11.61	2.46	5.9	17.6	13.96	10.11	[illegible]
1990	3.8	9.3	10.32	9.92	3.19	9.3	10.1	11.96	11.87	2.84	6.3	16.1	14.82	11.56	[illegible]
1991	-4.9	2.4	9.62	9.03	3.58	7.3	6.5	11.83	13.20	3.45	2.4	8.0	11.58	10.08	[illegible]
1992	-0.2	5.4	10.36	8.57	3.55	6.7	7.7	13.86	13.29	3.63	2.4	5.1	9.74	9.09	[illegible]
1993	1.6	-2.2	8.56	6.75	3.21	4.6	7.4	10.22	11.23	2.35	4.9	3.5	5.89	7.40	4.07
1994	2.9	0.7	5.84	7.21	2.99	6.6	5.1	8.48	10.56	1.67	6.4	5.0	5.57	8.01	3.94
1995	8.5	4.7	6.60	7.53	3.17	0.6	[illegible]	10.38	12.22	1.72	5.8	7.2	6.77	8.16	[illegible]
3rd qtr.1995	3.3	5.3	6.12	7.35	3.11	0.0	0.5	10.52	11.79	1.64	5.6	8.3	6.87	8.09	[illegible]
4th qtr.1995	8.8	4.7	6.14	7.10	3.25	0.9	2.1	10.60	11.59	1.77	5.6	9.4	6.71	7.77	[illegible]
1st qtr.1996	7.8	3.2	4.47	6.55	3.10	-0.7	2.5	9.88	10.57	1.74	5.6	10.2	6.28	7.72	[illegible]
2nd qtr.1996	7.8	0.6	3.96	6.51	3.02	-1.0	3.5	9.01	9.89	2.24	6.5	10.0	6.06	8.08	[illegible]
August 1995	1.3	5.1	5.96	7.30	3.06	-0.0	0.4	10.44	11.67	1.58	6.0	8.5	6.88	8.10	[illegible]
September	3.3	5.3	5.98	7.34	3.19	0.6	1.5	10.26	11.49	1.61	5.5	8.3	6.83	7.92	[illegible]
October	0.0	3.1	6.89	7.47	3.31	0.5	1.6	10.69	11.94	1.76	5.2	9.0	6.81	8.09	[illegible]
November	2.2	4.0	5.90	7.08	3.20	0.5	2.0	10.60	11.64	1.81	5.7	9.4	6.73	7.76	[illegible]
December	8.8	4.7	5.60	6.76	3.23	-1.6	2.6	10.51	11.18	1.74	5.9	9.8	6.57	7.46	[illegible]
January 1996	5.7	4.0	4.70	6.44	3.08	0.7	2.8	10.01	10.47	1.66	5.3	10.6	6.46	7.41	[illegible]
February	4.8	3.0	4.42	6.58	3.11	-0.9	2.6	9.84	10.54	1.67	6.1	10.1	6.24	7.72	[illegible]
March	7.8	3.2	4.27	6.64	3.10	-2.1	2.1	9.80	10.71	1.90	5.5	9.9	6.14	8.05	[illegible]
April	4.5	1.7	4.00	6.51	3.02	-1.9	2.5	9.52	10.35	2.14	5.7	10.0	6.09	8.05	[illegible]
May	6.3	1.6	3.90	6.46	3.01	-1.0	3.6	8.84	9.72	2.25	6.3	10.0	6.12	8.09	[illegible]
June	7.8	0.6	3.98	6.56	3.02	0.1	4.4	8.65	9.59	2.33	7.4	10.1	5.94	8.05	[illegible]
July			3.84	6.46	3.15			8.66	9.45	2.46	7.1		5.80	7.91	[illegible]

Monetary growth rates: show the percentage change over the corresponding period in the previous year, and are positive unless otherwise stated. All growth rates refer to the seasonally adjusted series except for Japan and Italy. German monetary statistics now form a continuous pan-German series. Monetary data supplied by Datastream and WEFA from central bank sources. Interest rates: short-term, period averages of US – 90-day commercial paper, Japan – 3-month certificates of deposit, Germany – 3-month Fibor, France – 3-month Pibor, Italy – 3-month Euro-lira, UK – 3-month Libor; long-term, period average yields on 10-year benchmark government bonds. Interest rates supplied by Datastream. Equity market yield: period averages of the gross dividend yield on the relevant FT-A world index.

Regulator considers action on $12bn held in support of US underwriting

Lloyd's assets 'could be frozen'

By Richard Waters in New York and Ralph Atkins in London

New York state's insurance regulator said yesterday it was poised to take action, if necessary, to freeze Lloyd's of London's assets in the US, adding to pressure on the insurance market as it battles to complete a £3.2bn ($4.96bn) financial restructuring this week.

The warning came as Lloyd's today appeals against a damaging ruling by a US federal court in Virginia on Friday. Lloyd's is trying to overturn an injunction which put the market's recovery plans on ice in the US, potentially placing the plan – and Lloyd's survival – into jeopardy.

A spokesman for New York state's insurance commissioner, Mr Edward Muhl, said yesterday that the regulators had not taken any action which would affect the $12bn held in Lloyd's trust funds at Citibank in New York to support US underwriting.

However, the spokesman said the commission's lawyers were weighing up whether any action was necessary following last week's injunction.

A deadline of noon tomorrow has been set for loss-making and litigating Names – individuals whose assets have traditionally supported Lloyd's – to accept the £3.2bn out-of-court settlement offer proposed by Lloyd's. Outstanding US liabilities would also be transferred into a new reinsurance company, Equitas.

New York state, which has primary responsibility for the US trust funds, must decide by September 1 whether or not to allow the money to be used to back Lloyd's recovery plan.

However Judge Robert Payne in Richmond, Virginia, told Lloyd's that it should comply with US securities laws, give more information about the plan to US Names by September 23, and allow US Names until the end of October to decide whether or not to accept the scheme.

"We haven't reached a decision yet – we're trying basically to understand what this means in terms of the Equitas project," the spokesman said. Whether New York would allow the trust funds to be transferred to Equitas "will depend on the DTI, and any decisions of courts here", the spokesman said.

Lloyd's ruling council meets on Thursday and could declare the £3.2bn offer "unconditional" shortly thereafter. There is no set level of acceptances required. Instead Lloyd's needs to be sure if enough litigating Names have accepted and that there are sufficient funds for Equitas.

But if Lloyd's fails to win today's appeal it might have to make hurried provision to exclude US Names, perhaps borrowing to cover their liabilities. In the longer term, Judge Payne's insistence on Lloyd's complying with US securities laws could result in Lloyd's excluding US Names from underwriting.

Share trading flickers on to a new screen

The London Stock Exchange has high hopes for Sequence

Tony Andrews

Networking: Sequence will herald a new era in information technology for equity dealers

Something different will appear on the desk screens of many share brokers and dealers this morning: Sequence, the London Stock Exchange's enhanced share trading platform, has reached the market in fully-fledged form.

However, today's change is small compared with what is yet to come. The platform is designed to be flexible and powerful enough to allow entirely new methods of trading in the future.

Sequence also represents something unique in the exchange's recent history – an information technology project delivered on time, and under budget. It contrasts sharply with the fiasco of the failed Taurus share settlement system.

This is a relief for Ms Christine Dann, the exchange's director of business operations, whose other main task in the past few months has been to prepare for handing over share settlement to the Crest system.

"Over the period of Sequence, we have reduced our costs and improved our service at the same time as introducing a number of new applications," said Ms Dann.

Today's change will mean that "trade reporting" of deals – under which member firms have to report deals within set times to the exchange – will be carried out through screens rather than over the telephone.

Sequence will introduce more radical change in the Alternative Investment Market for smaller companies, and in the Stock Exchange Alternative Trading Service for illiquid stocks, where actual methods of trading shares will be affected.

Although member firms will still be able to deal over the telephone through marketmakers in Aim and Seats shares, the implementation of Sequence will allow the trading of shares by fully automated means for the first time.

Members will be able to place orders on screens without having to telephone the exchange. They will also be able to execute a trade by pointing at a bid or offer on the screen with a computer mouse and clicking on it.

These changes are a taste of what is likely to come from next year when the exchange brings in broad trading reforms for large company shares. It will introduce an order-driven trading system for such shares for the first time.

The Sequence system is a broad enough platform to allow such changes fairly simply. By introducing a fresh software application, the exchange will be able to allow automated trading in a range of domestic shares.

The exchange has worked with Andersen Consulting to introduce the technology platform and the programme has cost £81m ($126m), compared with the budgeted cost of about £86m.

The exchange has also lessened costs by reducing staff and eliminating the inefficiency of its former trading platform – the exchange relied on about 60 software programmes from half a dozen suppliers.

It has also reduced its annual technology spending from £55m to £35m which has largely paid for developing Sequence.

Both Reuters and ICV have developed workstations to bring Sequence to smaller firms. The ICV terminals, known as Topic 3 Trader, will be the most visible evidence of the change in the 110 firms where they have been installed. ICV has spent about £1m on development.

The upshot is that although Sequence 6 – as the final stage in the implementation is known – will not be an earth-shattering change today, the exchange regards it as a vital step towards regaining credibility in the market.

John Gapper

Treasury may turn to home comforts

By Simon London, Property Correspondent

A substantial part of the Treasury headquarters in central London could be turned into luxury flats under proposals being considered by the government.

Two consortia vying for the right to refurbish the building have each suggested that converting the space gained in the rear portion into flats would provide the best value for money for the public sector.

The £200m ($310m) project is regarded by Mr Kenneth Clarke, the chancellor of the exchequer, as a flagship of the government's private finance initiative, which aims to bring private capital into public sector projects.

The rival consortia are led by Mr Stuart Lipton and Mr Godfrey Bradman, former development partners and two of the most high-profile figures of the 1980s property boom.

Mr Lipton's consortium – which includes Bovis, the construction company, Hambros merchant bank and Sir Norman Foster, the architect – has emerged as favourite to win the contract.

The proposals come against the background of rising residential property values in central London, driven by an influx of investment from overseas – particularly from Hong Kong, Singapore and Malaysia – and subdued demand for office space.

A number of other former office blocks have recently been converted into flats, including parts of County Hall on the south bank of the Thames opposite the Houses of Parliament.

The Treasury is expected to make a decision on the proposals over the next two to three weeks.

Both consortia have proposed alternative all-office solutions in case the government decides that flats would pose an unacceptable security risk.

UK NEWS DIGEST

Biotech options to be increased

UK biotechnology companies are preparing to offer millions of pounds worth of extra share options to new recruits following a change of heart by the Association of British Insurers. The ABI, which represents many of the investors in the sector, has agreed that biotech companies can in principle breach its guidelines on how many options can be awarded to executives.

Biotech companies have complained that they need to offer more money to recruit high flyers from international pharmaceuticals companies, but do not have the cash until their products are launched. The ABI said that other companies that could show a similar need might also be exempted.

First fruits of the changes are in proposals to be put to the annual meeting of British Biotech, the biggest UK company in the sector, on September 18.

The company proposes to scrap its existing executive share options scheme and replace it with one that effectively has no ceiling on the share options that can be offered to new recruits.

Mr James Noble, British Biotech's finance director, said that it was quite possible for new recruits at the top level to be offered more than £1m ($1.55m) in share options as an inducement to join the company.

The ABI guidelines limit the value of options held by an executive to four times' salary. They also cap the amount of options on offer to 5 per cent of a company's issued shares.

Daniel Green

Lex, Page 12

■ CONSTRUCTION EQUIPMENT

Sales set for '5.2% fall'

Sales of construction equipment in Britain are due to fall more quickly next year than in other west European countries, despite strong growth since the early 1990s recession, according to Off-Highway Research, a London consultancy.

The projected drop of 5.2 per cent in unit terms is linked particularly to the slow-down in road building. Sales of construction equipment in the UK are estimated at about £1.7bn ($2.63bn) a year, including spares. Total output, including exports, by UK-based construction machinery companies is valued at about £2.3bn a year at retail prices.

According to Off-Highway Research, sales of construction equipment next year across western Europe should come to 92,966 units, barely changed on the 93,369 in 1995. The market in France is expected to decline 4.6 per cent in units in 1997, the biggest slide after Britain. Spain is forecast to see an increase in sales of 13.7 per cent, Italy a 1 per cent rise while the market in Germany is expected to be flat.

Peter Marsh

■ CASH MACHINES

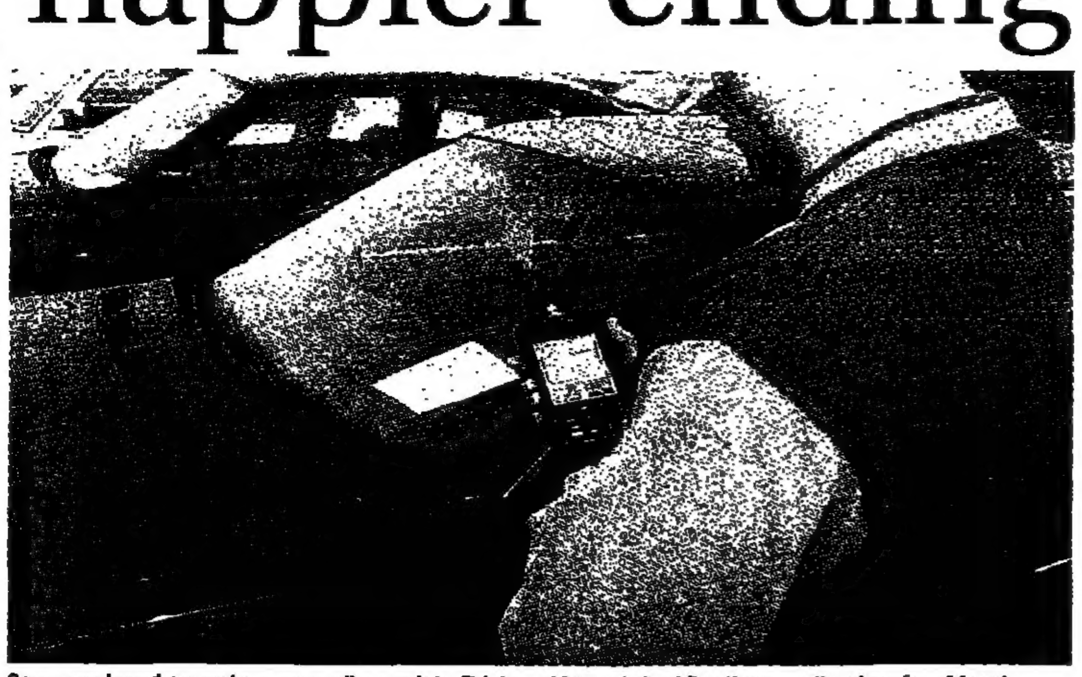
Single national network likely

British bank customers could soon be able to use their plastic cards to withdraw money from any of the UK's 22,000 cash machines. Many of the country's biggest banks believe the present system, allowing customers to use only those cash machines belonging to banks with which their bank has a reciprocal arrangement, is breaking down. The facility already exists in countries such as France and Austria.

George Graham

After a slow start, pen-based computers are finding a useful role in many areas, explains **George Cole**

Rewritten for a happier ending



Some pen-based computers are small enough to fit into a shirt pocket, while others are the size of an A4 pad

Motorists who commit parking offences in the City of London could find themselves being issued with an unusual type of traffic ticket. Instead of using a notebook and pen to write out a form, some police officers are now using a pen-based computer to produce an electronically generated traffic ticket. Back at the station, data from the pen computer can be transferred to the police computer database.

This is just one example of how pen-based computers are being used today. The retail, distribution, transportation, insurance, financial services, manufacturing and mobile field service sectors are also using them. But at one stage, pen-based technology was in danger of being discarded.

When the first pen-based computers arrived in the late 1980s, many thought they would replace the keyboards and mice used to operate most computers. Supporters of pen computers talked of "the pen being mightier than the keyboard".

But the reality proved different: "Pen computing caught everyone's imagination," says Howard Seabrook, marketing program manager for Toshiba UK, "but there was a mis-match between what the technology could deliver and what customers expected in terms of cost and functionality."

Companies that have launched pen-based devices include Amstrad, Casio, IBM, Sharp, Symbol, Norand, Hewlett-Packard and Fujitsu. Microsoft has also developed an extension to its Windows operating system for pen-based computing.

But some, such as Toshiba, have pulled out of pen-computing in western markets because of disappointing sales. Many admit that the aim to replace the keyboard with computers which could recognise handwriting was too ambitious.

Handwriting recognition software is difficult to develop and requires a great deal of processing power. Most current systems offer an accuracy rate of only 50-60 per cent.

"The pen computer market was moving along nicely until companies started pushing handwriting recognition," says Ken Dulanei, vice-president of mobile computing at the Gartner Group. "That move set the market back years." Handwriting recognition software was often slow, clumsy and frustrating to use. The result was that many pen-based computers were consigned to desk drawers and then forgotten.

But now, pen-based computer companies have repositioned their products: "Pen computers were initially aimed at horizontal markets [for general use and many applications] and tried to be all things to all people," says Diana Hwang, senior industry analyst at market researchers IDC, "but it's in the vertical [specific application] markets where pen computers have come into their own."

Apple Computer's pen-based device, the Newton MessagePad, was launched in 1993, but sales were poor until the company began targeting users such as corporate executives, sales staff and consultants, who perform much of their work away from the office.

"Apple didn't understand the market," says Dulanei. "If they'd gone for vertical markets from day one, they could have sold the Newton at twice the price and enjoyed far healthier sales."

There are many types of pen-based computers. Some are small enough to fit into a shirt pocket, while others are the size of an A4 pad. Their weight varies from about 600g to more than 1kg. Most cost anything from $450 (£290) to $3,000. But all share the same basic technology, namely a flat screen that is covered with a pressure-sensitive membrane. Smart software and a powerful processor convert any screen contact into computer commands. The pen may be an electronic device or a simple plastic stylus, which is used for pointing to on-screen icons or menus. Some pen computers can even be operated with a finger.

Sales of pen tablets and pen notepads are expected to rise from 67,000 units to 119,000 units

IDC defines two main groups of pen-based computers:

- The first includes hand-held companions, such as PDAs (personal digital assistants), and personal companions, such as US Robotic's Pilot. PDAs offer a variety of computer and communication facilities, such as fax, e-mail, Internet, personal organiser, calendar and address book. Personal companions allow users to download files and data from their desktop PC and carry them around in a small portable device. Data can also be entered out in the field and later transferred to office computer.
- The second refers to vertical application devices, which include pen tablets and pen notepads. These are purpose-built for specific sectors and are often more rugged than PDAs. Some also have improved screen technology which works over a wide range of temperatures.

A growing number of vertical application devices have facilities for sending or receiving data via a telephone modem or wireless mobile data system. Some can even communicate with portable printers using infra-red technology, allowing users to produce hard copy documents in the field, for example, receipts or invoices.

IDC forecasts that the US market for PDAs and personal companions will rise from 208,000 units in 1996 to 1.4m units in 2000. In the same period, sales of pen tablets and pen notepads are expected to rise from 67,000 units to 119,000 units.

"The market for pen-based computers in vertical markets is growing," says Hwang, "but to put it into perspective, sales of keypad devices in the same markets will be around 356,000 units this year, and 552,000 units in four years' time. So pen-based computers are definitely niche products."

In Japan, pen computers are popular, largely because the vast number of Japanese characters makes keyboards difficult to use. Sharp has sold more than 900,000 units of its Zaurus PDA in Japan, since it was launched in October 1993. Sharp expects to sell aroumd 670,000 units this fiscal year. Other companies marketing pen computers in Japan include Casio, Hitachi, NEC, Toshiba and Mitsubishi. Sales staff, police officers, manufacturers and nurses are just some of the groups using pen computers in Japan.

Reg Koster, business development manager for Norand International, says that pen computers offer a number of advantages: "They are ideal for workers who have to enter or collect data in the field, and require little in the way of training. Some pen computers can be linked to numeric keypads for fast data input. But you're not looking for heavy text input with these devices."

The City of London motorcycle police officers are using Norand's Pen*Key to issue parking tickets. Pepsico and Coca-Cola have also ordered thousands of Pen*Key computers for route accounting. Truck drivers will use the pen computers to record details of their deliveries.

Some warehouse staff are using pen computers as electronic clipboards for stock taking. Sales staff of the Californian company FD Titus use pen computers for medical product ordering. Clients are shown the products on the computer screen and their orders are entered by computer pen and sent back to head office for instant processing.

In Minneapolis, repair technicians of the cable TV company Paragon use pen computers to order spare parts and record work details. The technicians also use the computer to show customers the company's latest promotional offers and to record any new subscriptions.

Little wonder that Tony Palmer, European operations director of marketing at Norand International, believes that "pen-based computers have become highly effective tools for speeding up business-specific processes".

Madness of too many methods

Geoff Nairn on a European standard for procuring software

The European Commission's zeal for standardisation has reached the software industry with the release this month of Euromethod, a pan-European standard for procuring computer systems, which the EC hopes will improve competitiveness in Europe's fragmented software market.

Euromethod started in 1989 as an attempt to overcome the problems caused by the incompatible system development "methods" used in different European countries. A method defines the procedural and technical standards to be used in developing an information system. It provides a framework for developing and managing large complex information systems, thus reducing the risks.

Methods are not foolproof, as the London Stock Exchange found out with Taurus, a paperless settlement system which was plagued with delays and finally abandoned in 1993 at a cost of more than £50m. Taurus was supposedly developed using the Structured Systems Analysis and Design Method, but many SSADM guidelines were not followed, according to the auditors' report on Taurus.

Used properly, methods can reduce misunderstandings between contractor and customer by explicitly defining responsibilities and setting milestones. SSADM was originally developed as a standard for public sector projects in the UK, although it is now also used in the private sector.

Similarly, Italy's state-owned computer services company Finsiel developed Dafne, which became a standard for Italian public sector contracts. France, Germany, the Netherlands and Spain also have their own methods.

Each one is often widely used in that particular country but unheard of elsewhere. This creates a formidable barrier to companies that want to bid for work outside their domestic market. It also hampers co-operation in the EU-wide projects which the EC is promoting to increase competitiveness in information technology.

The main problem is understanding the precise meaning of concepts and terminologies used in the different methods. For example, is the "preliminary study" of one method equivalent to the "requirements analysis" of another?

Also, the vocabularies used are typically derived from software engineering and can be difficult to understand by non-specialists.

Euromethod aims to overcome these hurdles – not by replacing the national methods but by creating a common procurement language to harmonise them. It acts as a sort of Esperanto for computer contracts whose terms and concepts can be understood correctly using any of Europe's six most popular development methods, thanks to a series of dictionaries.

"A lot of people have misunderstood Euromethod. It is not a new software development method, but a way of managing procurement by allowing calls for tender to be expressed in a way that is totally independent of method," says Marcel Franckson, Euromethod project director. Contractors will continue to use their preferred method for the nuts-and-bolts development work.

Euromethod was developed by a consortium of 10 European companies and trials were carried out in 1995 in 10 sites. The feedback from these trials was used to improve the method. For example, the unwieldy 700 pages of original documentation has been cut to 200, while the method now covers the specification of "help desk" and other support services essential to today's complex IT projects.

The EC officially accepted the improved version of Euromethod this month and the challenge now is to promote the standard more widely.

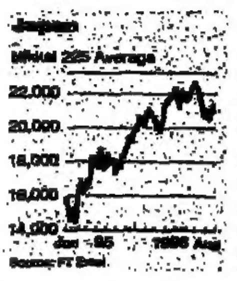
FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday August 27 1996

IN BRIEF

Rabobank posts 21% increase

Rabobank, the Dutch co-operative bank, reported a 21.5 per cent increase in first-half net profit to Fl 853m ($511.6m) from Fl 702m a year ago, but warned that this rate of growth would be unsustainable for the full year. The result was powered by higher lending, commission income and funds under management. New mortgage loans rose about 50 per cent. Page 15

Nikkei index falls below 21,000



Share dealing activity in Tokyo eased ahead of Wednesday's release of the Bank of Japan's *tankan*, or business confidence survey. The Nikkei 225 index fell below 21,000 for the first time in six sessions, shedding 345.06, or 1.6 per cent, to 20,883.74. Investors were also cautious ahead of Thursday's announcement of the public offering price for West Japan Railway. Page 26

Foster's edges ahead to A$293m
Foster's Brewing, the Australian drinks group, reported a 2 per cent increase in after-tax profits to A$293.3m (US$232.5m) for the year to June 30. The rise was achieved on sales of A$2.54bn, down from A$4.87bn in 1994-95 following the sale of Courage, the UK brewer, to Scottish & Newcastle. Page 14

Comalco slides in first half
Shares in Comalco, the Australian integrated aluminium producer controlled by the RTZ-CRA mining group, tumbled almost 5 per cent to A$7.10 after it announced a plunge in after-tax operating profits to A$43.9m (US$34.7m) from A$155.1m in the half-year to end-June. Page 14

Spanish stores chain slips after buy
Annual net profits at El Corte Inglés, the privately-owned Spanish department store chain, fell just under 8 per cent to Pta30.98bn ($246m) after its takeover of its main rival, Galerias Preciados. However, the purchase enabled it to increase group sales 7.6 per cent to Pta1,098bn. Page 15

N American gold miners on treadmill
North America's big gold mining groups have to keep running ever faster just to stand still. Their problem is that the market values their shares mainly by looking at the mineable gold they have in the ground. One obvious way for a gold group to lift reserves is via takeovers or mergers such as the C$1bn (US$730m) bid – which closes today – by Barrick Gold for Arequipa. Page 16

Overseas ambitions hit Chamberlain
Receivers at Chamberlain Phipps have blamed most of the UK footwear group's downfall on its aggressive international expansion. Page 17

Bass deal may spark licence review
Bass may face a review of the licensing deal to make and distribute Castlemaine XXXX, the Australian lager, if its proposed acquisition of Carlsberg-Tetley, the rival brewing joint venture, goes through. Page 17

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)				PARIS (FFr)			
Rises				**Rises**			
Heidelb Zem	995	+	9	BIC	745	+	20
Varta	295	+	10.5	Intertechnique	559	+	20
VEW	459	+	7	**Falls**			
Wella	877	+	7.5	Chargeurs	190.5	–	8
Falls				Docks de France	1281	–	132
Adidas	121	–	3	Pechiney A	210.5	–	4.3
Ind Werke	310	–	5	UFB Locabail	480	–	15
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Falls**			
Bkrs Life	24	+	2¼	Daido Steel	408	–	14
Career Hrzns	37⅛	+	5⅛	Green Cross	417	–	30
Cap Amer Fin	36	+	10	Isuzu Motors	547	–	33
Falls				M'shita Refrig	772	–	28
Autozone	28	–	2⅛	Toyo T&B	898	–	32
Micron Tech	22⅛	–	1¼	Yomiuri Land	798	–	45
Southern Pac	25½	–	1½	**BANGKOK (Baht)**			
TORONTO (C$)				**Rises**			
Rises				Krungthep	132.0	+	9.0
Becker Milk B	11.25	+	1.25	Wattana Kmpa	30.0	+	1.5
Ensign Res Svc	12.5	+	1.0	Yongthai Chem	25.25	+	1.5
Silcorp	18.5	+	2.3	**Falls**			
Falls				Krung Thai Bk	107.0	–	4.0
Fromeyer	5.0	–	0.75	Thai Carbon	107.0	–	4.0
Greenstone	20.0	–	1.5	Thai Wacoal	106.0	–	4.0
PLD Telecom	8.75	–	0.75				

London and Hong Kong closed. New York and Toronto prices at 12.30pm.

Conseco in $2bn spending spree

By John Authers in New York

Conseco, the acquisitive US life insurer, yesterday announced four acquisitions totalling $2.04bn which will make it the largest supplier in the fast growing US long-term care insurance market.

It has now bought 25 life insurance companies since 1982.

Mr Stephen Hilbert, Conseco's chairman, said the group's strategy was to focus on the over-55 age group, because "that's where all the most exciting demographics are".

The acquisitions confirm a trend towards consolidation in the US life industry, as competition has increased in products for pensioners.

Conseco has bought American Travellers and Capitol American Financial, which specialise in health insurance products for the elderly, as well as purchasing outstanding shares in two life insurers, American life and Bankers Life, in which Conseco already held large stakes.

American Travellers, which will be bought for $793m in Conseco common stock, is the largest acquisition. It concentrates on long-term care insurance, which accounts for 90 per cent of its premium income, placing it second in the US market after Amex Life, a subsidiary of GE Capital.

Conseco is paying $650m cash for Capitol American, which specialises in cancer insurance and other products designed to supplement the state-funded Medicare health insurance scheme.

The company intends to acquire outstanding shares in American Life, a retirement annuities provider in which it already holds a 38 per cent stake, for $165m cash. It will also buy the remaining near 10 per cent of Bankers Life for $117m in common stock. Bankers Life has interests in both retirement annuities and a range of insurance products for the elderly.

The company will issue $300m in tax-deductible preference shares, and will borrow $1.9bn to finance the transactions, all of which it hopes to complete by the end of this year.

After the acquisitions, Conseco will be left with borrowings of $1.9bn, giving it a debt-to-equity ratio of 35 per cent. The company said it would continue to look for fresh acquisitions, but would not allow its debt ratio to increase beyond the 35 per cent level.

Mr Hilbert predicted the company could make savings of up to $32m per year by consolidating data processing and investment management, and that earnings per fully diluted share for 1997 would reach $5, ahead of analysts' forecasts which range from $4.25 to $4.65.

He said the company would compete directly with other diversified financial services groups for the elderly market, and added: "I would like you to remember that beneath the traditional exterior there beats the heart of a tiger."

Conseco's shares rose $2¼ to $44½ in early trading.

Industry is in the slow lane of a two-speed UK economy, writes **Philip Coggan**

Seeking the slipstream of consumer growth

Economic growth has been sluggish in the UK and in most of continental Europe this year. But as the autumn results season approaches there are hopes that corporate managements will be able to report signs that the tide is turning.

For much of the year there has been evidence of a two-speed economy. The manufacturing sector has struggled in the face of a surplus of stocks, while consumer spending has recovered thanks to lower taxes, interest rates and continued falls in un employment. Consumer stocks have easily outperformed shares in industrial groups since mid-1995.

Analysts have spent the year revising down their profits forecasts for industrial groups. According to Mr Steve Wright, UK equity strategist at Barclays de Zoete Wedd: "A year ago, we were expecting earnings growth in 1996 among general manufacturers to be 16 per cent, now we are only expecting 2 per cent."

For the moment, official data suggest the dichotomy is continuing. Industrial production dropped by 1.1 per cent in June, its biggest monthly fall since November 1992. Manufacturing output is technically in recession, having stagnated in the second quarter, following falls in the two preceding three-month periods.

But as Mr Kevin Darlington, UK economist at ABN-Amro Hoare Govett, argues: "By the time the official data say that manufacturing output has turned up, it will be an old story for the market."

Survey evidence is more encouraging. The CBI quarterly survey in July showed a recovery in export demand and output in the second quarter and the first rise in confidence since spring 1995.

Manufacturers were the most optimistic about future output growth than at any time since 1988.

The two most recent surveys from the Chartered Institute of Purchasing and Supply, known as the purchasing managers' index, both showed readings of more than 50, indicating rising activity.

And there are signs that the stock overhang may be unwinding. Figures published by the Office for National Statistics on Friday showed that manufacturers' stocks dropped by £318m in the second quarter, more than offsetting the £284m rise in the first three months of the year.

The outlook also seems to be improving in continental Europe, the UK's largest export market. Thursday's larger-than-expected 30 basis point cut in the repo rate by the Bundesbank triggered rate reductions across Europe and helped the UK stock market to reach all-time closing and intra-day highs.

Stocks with substantial links to Germany, including building materials groups Redland and RMC and the chemicals giant ICI, got a substantial lift from the news.

In short, the sluggish growth which has characterised the first half of the year could be about to come to an end. According to Mr Darlington: "The economy has been growing at a below-trend rate, but the world and his wife expect it to accelerate in the second half."

Strategists will be searching for indications in the results season that the corporate sector is sensing the upturn. That will probably not come from the results of the manufacturing companies themselves, but perhaps it will come in the trading statements. Mr Darlington is not even that optimistic arguing that "chairman's statements will be cautious because they have had a difficult six months. But we will be looking after the results to see whether analysts are upgrading or downgrading forecasts."

The manufacturing sector apart, the results season is expected to show some healthy profits increases. Overall the non-financial sector is expected by BZW to show earnings growth of 8 per cent this year and 13 per cent in 1997.

Mr Mark Tinker, UK strategist at HSBC James Capel, is even more optimistic in the short term, looking for 13 per cent growth this year and 10 per cent next. He argues that UK corporate management is coping with the low growth in nominal demand by showing the ability to cut its costs and this is leading to robust levels of profits growth.

An eventual recovery in manufacturing seems inevitable. Signs of a pick-up in consumer spending are widespread, from the revival of the housing market to the strength of stocks such as Carpetright and DFS Furniture. Someone has to make the goods that consumers want.

Viag pays DM1.6bn for Sandoz business

By Michael Lindemann in Bonn and William Hall in Zurich

Viag, the German conglomerate, is creating the world's largest construction chemicals business through the DM1.6bn ($1.1bn) acquisition of Master Builders Technologies from Sandoz, the Swiss chemicals group.

Mr Wilhelm Simson, chief executive of SKW Trostberg, the Viag subsidiary making the purchase, said the acquisition may be financed partly by property sales.

The company raised DM911m last year through the flotation of a minority stake but further funds would not be raised before 1997.

Analysts welcomed the deal even though Mr Georg Obermeier, chief executive of Viag which holds 51 per cent of SKW Trostberg, had suggested last month that Viag would not pay more than DM1.4bn.

Viag shares fell DM3.05 to close at DM557.95 while SKW Trostberg shares rose DM1.35, or 3.5 per cent, to close at DM39.40.

SKW Trostberg is believed to have beaten up to four rivals. It became clear that MBT was for sale following the March merger of Sandoz and Ciba-Geigy, another Swiss chemicals group.

SKW Trostberg has been expanding aggressively over the past 18 months. It has said that it needs to build up the construction chemicals business, one of its three divisions, to be able to compete internationally.

Mr Simon Marshall-Lockyer of NatWest Markets in Zurich said the SFr1.3bn ($1.08bn) received by Sandoz was more than the market had been expecting.

The speed with which the deal had been executed was another sign that the refocusing of the group, ahead of its merger with Ciba into Novartis, was well on track.

Sandoz's sale of MBT, which includes the repayment of SFr200m of debt, is its second big disposal in little more than a year.

In July 1995 it floated off Clariant, its speciality chemicals business, in a SFr1.54bn initial public offering.

The deal, which included the assumption of SFr737m of debt by Clariant, resulted in a pre-tax profit of SFr460m.

Gencor concedes defeat in planned platinum merger

By Roger Matthews in Johannesburg

Gencor, the South African mining and natural resources group, has been forced to accept there is no prospect of being able to complete the planned merger between its Impala platinum interests and those of UK-based Lonrho.

This was stated yesterday by Mr Brian Gilbertson, the chairman of Gencor, when announcing a 47 per cent increase in net attributable income before exceptional items for the year to June 30. A deal with Lonrho would have created the world's second largest platinum producer.

"The decision of the European Commission to block the proposed merger of Impala and Lonrho platinum division, after approval by the South African competition authorities and overwhelming support from both shareholder bodies, came as a great disappointment," he said.

"Although Impala is appealing against this decision to the European Court, I fear the oppportunity to create substantial shareholder value in a short space of time has been lost for both parties. From our perspective I am afraid we have to write it off."

The failed merger contrasted with an otherwise strong performance by Gencor, which in six years has transformed itself from a company involved primarily in South African deep-level gold production to a diversified international mining group.

Attributable income rose 80 per cent to R1.8bn ($396m), including exceptional gains of R309m from the sale of some gold mining interests.

"The strong improvement is not an illusion arising from the recent weakness of the rand against the dollar," said Mr Gilberston. "With the exception of coal sales to the domestic market, almost all the sales by Gencor companies are priced in dollars." In that currency, Gencor's attributable income rose 37 per cent to $388m, before exceptionals.

Aluminium was again the largest earnings contributor. Gold and platinum contributed less than 10 per cent.

A final dividend of 18 cents raises the total 25 per cent to 25 cents. The results were prepared for the first time on a consolidated basis.

Hotel groups close to alliance

By Scheherazade Daneshkhu in London

Ladbroke, the UK betting company which owns the Hilton International hotels business, is expected to announce this week a strategic alliance in marketing and loyalty programmes with Hilton Hotels Corporation of the US.

However, a deal to reunite the Hilton chain via a joint venture or the sale of Ladbroke's business is thought highly unlikely. Ladbroke acquired Hilton International in 1987 for £645m ($1bn) and has the rights to the Hilton name outside the US.

"Ladbroke has been playing hard to get because if it cedes control over Hilton International, the rump of betting shops and a few casinos will become extremely vulnerable to takeover," said one analyst.

The group is expected on Thursday to report half-year pre-tax profits up from £56.5m to £62m-£70m due to better results in betting and growth at Hilton International.

The talks between Mr Peter George, chief executive of Ladbroke, and Mr Stephen Bollenbach, who left Disney to become chief executive of HHC in February, have been going on for six months. They cover collaboration in marketing, reservations, logos and loyalty programmes, as well as the broader issue of a merger or takeover.

The two are also thought to be discussing gaming activities. Ladbroke wants to expand its US casino operations and HHC is looking for gaming expansion outside the US. Mr Bollenbach, who has a reputation as a dealmaker.

Analysts are divided about the likely impact on the Ladbroke shares of a failure to merge Hilton. However, Mr Simon Johnson, leisure analyst at BZW, the investment bank, said the benefits of a co-operation agreement falling short of a merger should not be underestimated. He believes each company would make savings of $35m by uniting their sales offices, brochure printing, loyalty card schemes and marketing. operations.

Ladbroke's shares have risen 60 per cent since November mainly on speculation over a possible takeover.

Foster's shrugs off loss of Courage with 2% rise

By Nikki Tait in Melbourne

Foster's Brewing, the Australian drinks group, yesterday squeezed out a 2 per cent increase to A$293.3m (US$232.5m) in after-tax profits for the year to end-June. Lower interest charges, strong growth from the Australian brewing assets and the absence of last time's abnormal charge offset the loss of earnings from Courage the UK.

This was achieved on sales of A$2.54bn, down from A$4.87bn in 1994-95. This also reflected the disposal of the Courage business which was sold to the UK's Scottish & Newcastle for £443m ($687m) last year.

Earnings per share, again after tax and abnormals, stood at 15 cents, compared with last time's 14.7 cents.

The company claimed the result was "very pleasing" given the earnings gap created by the Courage disposal. Operating profits before interest and abnormals for the three continuing businesses – Carlton & United Breweries in Australia, a 40 per cent holding in Canada's Molson Breweries, and three Chinese breweries – rose from A$342.2m to A$370.6m.

However, this was entirely due to the stronger performance by CUB, which contributed A$326.6m against A$282.1m. Earnings from Molson dipped to A$61.4m from A$71.9m, due to lower industry volumes and some loss of regional market share. Foster's China operation posted a larger loss of A$17m, against a A$12m deficit last time, with the company saying that any profit was now unlikely before 1999.

The newly-acquired Mildara Blass wine business contributed for four months, adding A$16.1m, while interest charges fell from A$129.6m to A$61.3m. Last time's A$92.2m abnormal charge was replaced by a $1.7m expense, while the deficit on corporate and other investments fell to A$23.2m from A$52.9m. However, there were no earnings from Courage, compared with last time's A$207.6m.

Mr Ted Kunkel, chief executive, said "some progress" had been made on potential opportunities in India and Vietnam. He also dismissed speculation of a possible tie-up with Holland's Heineken, saying it was "disruptive internally – it's not on the cards".

The group said it was reviewing its civil suit against Mr John Elliott, the businessman who ran the group when it was known as Elders IXL in the late-1980s, but had not withdrawn the action.

Comalco slides in first half

By Nikki Tait in Melbourne

Shares in Comalco, the Australian integrated aluminium producer controlled by the RTZ-CRA mining group, tumbled 38 cents – or almost 5 per cent – to A$7.10 yesterday after the company announced a plunge in after-tax operating profits to A$43.9m (US$34.7m) in the half-year to end-June.

The profit, struck before abnormal and extraordinary items and a superannuation adjustment, compared with A$155.1m in the same period a year earlier. After these items, bottom-line profits were down from A$96.6m to A$50.6m.

The dividend was also sharply reduced, from 12 cents a share in the first half of 1995 to 3 cents this time.

Comalco blamed the downturn on lower primary aluminium prices, softer alumina markets and the stronger US dollar exchange rate. The average aluminium price in the half-year was 73 US cents a pound, down from 86 cents in the first six months of 1995 – cutting profits by about A$70m. The exchange rate difference accounted for a further A$15m shortfall.

Comalco also said that higher costs – notably electricity and maintenance charges at its Bell Bay operations and higher depreciation charges at the Tiwai Point smelter in New Zealand – had knocked A$18m off the profits total.

The company held out only limited hope of any improvement in the short term. "Market supply and demand for aluminium is expected to come into balance over the second half of this year and into 1997," it suggested.

But it warned: "The continued support of the investor community in stock financing is also an important factor. The market is finely balanced and could move in either direction should any of these factors reverse."

Mr Terry Palmer, chief executive, said he expected the aluminium price to be in the 68-70 cents range in the current six months.

However, he was more optimistic about the prospects for the much-flagged A$1bn alumina refinery. He said that a feasibility study into the proposed facility was still under way, but that he hoped a decision could be made in "weeks rather than months".

"Location is very important," he added, revealing that the company is already in negotiations with the Queensland state government.

Mr Palmer said that a number of sites in Malaysia were still being considered – as "clearly the best alternative" within Asia – but that the main problem here centred on securing sufficient gas supplies "at the right sort of price".

The refinery would utilise Comalco's large bauxite deposits in far north Queensland, and initially produce about 1m tonnes of alumina a year.

NEWS DIGEST

Fujitsu to cease S-Ram production

Fujitsu, one of Japan's leading semiconductor manufacturers, is pulling out of static random access memory chip production to concentrate its resources on semiconductors with greater growth potential.

Fujitsu will close a line at one of its plants in northern Japan where it currently manufactures S-Rams, which are memory chips used in large computers such as supercomputers. The company has been gradually preparing for the closure of the line by March 1997, and is expected to shift production to logic chips instead.

The decision to move out of S-Rams stems from the company's view that the market for the memory chips is not likely to grow as dramatically as those for dynamic random access memory chips and flash memory chips on which it plans to concentrate its resources. The markets for both types of memory chips are expected to grow substantially on the strength of multimedia products.

Last year, Fujitsu's sales of S-Rams amounted to $233m, according to Dataquest, compared with the company's total semiconductor production value of Y590bn ($5.44bn). *Michiyo Nakamoto, Tokyo*

Bank Niaga posts 58% rise

Bank Niaga, one of Indonesia's largest publicly listed banks, said net profit in the first six months of this year rose 58 per cent on a large increase in the bank's net interest income. Net profit in the first half was Rp44.08bn ($1.24bn), compared with Rp27.95bn in the same period a year earlier. Net interest income in the period rose by more than 40 per cent from Rp111.41bn to Rp156.71bn.

However, other operating income declined from Rp43.58bn to Rp40.45bn. Earnings per share were down at Rp280, compared with Rp484 in the first half of last year, reflecting the bonus issue and the conversion of bonds into shares. Analysts say earnings per share may be further diluted if the bank proceeds with a planned Rp100bn-Rp200bn rights issue. *Manuela Saragosa, Jakarta*

Brierley lifts Coles Myer stake

Sir Ron Brierley's Brierley Investments has lifted its stake in Coles Myer, Australia's largest retailer, to 6.8 per cent, against 5.01 per cent previously. In a notice to the Australian Stock Exchange, Brierley said that the shares had been purchased since mid-July. *Nikki Tait, Melbourne*

Caltex Australia shares slip

Shares in Caltex Australia closed 1 cent lower at A$5.19 yesterday, amid speculation that US-based Caltex Petroleum, which controlled the Australian-listed entity, had decided against a partial sale of its stake – at least for the time being. Rumours of a partial sale – possibly reducing Caltex Petroleum's holding from 75 per cent to a little over 50 per cent – have been circulating since the end of last week. *Nikki Tait*

Beximco to proceed with project

The Beximco group in Bangladesh said it had been given the go-ahead by the government to build a multi-use complex housing a five-star hotel, prime office space, and a shopping complex in the Dhaka city centre area. Beximco says it will be collaborating with the US Hyatt International Corporation on the project, which is estimated to cost $225m. *Kasra Naji, Dhaka*

Banks key to Deutsche Telekom float

When Mr Joachim Kröske, Deutsche Telekom finance director, last week opened the bag of tricks with which the company hopes to seduce private German investors, he got himself into something of a muddle making comments about Germany's banks.

First he said that what Germany's high street banks did to attract private investors "is not necessarily our business". Then he announced that anybody buying up to 300 Deutsche Telekom shares would be exempted from the usual share purchase fees, but added that this was not "a declaration made by Deutsche Telekom".

Much of the success of Deutsche Telekom's DM15bn ($10.08bn) partial privatisation, Germany's biggest ever stock exchange listing, depends on how banks such as Deutsche, Dresdner and Commerzbank – not to mention the countless savings banks all over Germany – sell shares to their clients.

Historically German banks have charged relatively high fees for share purchases and done almost nothing to encourage investments in equities. More conservative instruments such as bonds were preferred. That must change, if Deutsche Telekom is to make a success of the issue in November.

Dresdner, Germany's second-biggest bank with responsibility for placing the issue within Germany, has led the way by waiving the standard share purchase fees and offering especially lucrative savings accounts for potential investors.

Bayerische Vereinsbank, one of the two big Bavarian banks, has followed suit, and Deutsche Telekom hopes such moves will turn into real competition for Germany's private investors.

"It could all get quite cut-throat," says an executive close to the issue, "or the *Vorstände* [management boards] of the banks will get together to form a cartel."

How many shares the private investor should buy further illustrates the difficult relationship between the company and the banks. Deutsche Telekom wants the shares spread as broadly as possible in order to strengthen the ties between the company and its 40m or so telephone users.

The banks, on the other hand, need to ensure that the minimum number of shares purchased is large enough for them to make money on it.

The two sides have agreed that investors will have to buy at least 100 shares, expected to be worth up to DM3,000, in order to qualify for incentives such as discounts and free shares. That minimum is considerable compared with other privatisations designed to win over new shareholders – most notably the first tranche of British Telecommunications (BT) which was privatised in 1984.

In 1984 investors were required to pay £260 ($400) to participate in the offering, less than a quarter the amount would-be Deutsche Telekom shareholders will have to find. Later offers were made still more attractive: to participate in British Gas in 1986 investors had to put down only £135.

Mr Franz-Josef Leven from the German Share Institute in Frankfurt admits that the minimum investment "could scare off" potential investors. He adds though that the sum is "justifiable" if the banks are to come anywhere near recovering their transaction costs which, he says, come to almost DM100.

Other analysts point out that inflation, the dramatic rise of the stock markets since the early 1980s, and the very different levels of gross domestic product in the UK and Germany help explain why Deutsche Telekom newcomers will be asked to invest more than their counterparts at BT.

Michael Lindemann

Rabobank posts strong advance

By David Brown in Amsterdam

Rabobank, the Dutch co-operative bank, reported a 21.5 per cent increase in first-half net profit to Fl 853m ($511.6m) from the Fl 702m in the previous comparable period, but warned that this rate of growth would be unsustainable for the full year.

The strong first half was powered by higher lending, commission income and funds under management. New mortgage loans were ahead by some 50 per cent.

Both the operating result and net profit in the second half are expected to increase on the same period last year, when the bank reported a net profit of Fl 725m.

However, Rabobank said it would be hard-pressed to match last year's exceptionally high second-half growth rates, given that demand for loans was easing, the momentum on the financial markets is unlikely to be sustained, and the rate of investment on foreign and domestic expansion will be substantially increased.

"We expect reasonable growth in the second half," said Mr Herman Wijffels, executive board chairman, although he added: "maybe it will be in single digits".

Total income rose from Fl 4.1bn to Fl 4.7bn. Of this, Fl 3.4bn was generated by interest income, which rose almost 11 per cent. Net commission income was up 18.6 per cent to Fl 624m.

The bank said its loan portfolio totalled Fl 209bn at mid-year against Fl 186bn at June 30 1995.

Operating costs rose from Fl 2.63bn to Fl 2.99bn, due to the brisker pace of business, the need to hire more staff, the continued expansion of its global network, where 19 new offices brought to international total to 84, and finally to investments in new technology.

Operating profit in the first half advanced from Fl 1.02bn to Fl 1.26bn, up 22.7 per cent. Consolidated assets rose to Fl 322bn by mid-year, up Fl 28.9bn from the end of 1995. Rabobank also reported a strong increase in its off-balance-sheet activities. The nominal value of derivatives contracts rose by Fl 152bn to Fl 789bn in the period.

Herman Wijffels: reasonable growth seen in second half

Polish banks optimistic on merger deal

By Christopher Bobinski in Warsaw

Officials from four state-owned Polish banks remain confident of overcoming disagreements to setting up a financial group which would control about one-fifth of the local banking market. A deal completing the government planned merger could be signed as early as next month.

The differences between the three regional banks – Pomorski Bank Kredytowy from Szczecin (PBKS), Bank Depozytowo Kredytowy (BDK) in Lublin and Powszechny Bank Gospodarczy (PBG) in Lodz – and the PKO SA, a Warsaw-based savings bank that is to lead the group, centre on the exact measure of autonomy each bank is to enjoy.

Last week the four banks met to discuss the fourteenth draft of the consolidation agreement without reaching agreement.

PBG is leading the opposition to leaving full control of the group with the PKO SA, although Mr Andrzej Szukalski, its president, says: "The merger must be a friendly one." Mr Szukalski, who is also head of the Polish Banking Union, a trade association, says that the three regional banks must stay as separate legal units, retaining their names and local character.

PBG wants strategic decisions for the group to be taken by a management committee, composed of two representatives from the PKO SA and one from each of the three banks. The PKO SA wants its board to manage the group's affairs, leaving the management committee in an advisory role.

PBG also wants the regional banks to retain responsibility for those sectors which they have developed in the seven years since they were carved out of the National Bank of Poland.

In PBG's case, this is a successful investment banking division, which manages the corporate assets taken over in lieu of debts. The bank also owns the Lodz Management Group which is seeking to raise $50m for a venture capital fund which would concentrate on investments in central Poland.

Consolidation talks come after the recent death in a car accident of Mr Marian Kanton, head of the PKO SA, who was willing to accept a greater measure of autonomy for the three regional banks. The bank's temporary management under Mr Andrzej Dorosz is now taking a much tougher line, according to Mr Szukalski.

Consolidation of the four banks will precede privatisation of the group, according to the government. Mr Szukalski says this can only start in 1998 as next year will be spent on implementing the merger.

Setback for Hungarian energy offer

By Virginia Marsh in Budapest

A secondary offering of Mol, Hungary's oil and gas company, which the state hoped would be the country's largest international equity offer this year, is unlikely to go ahead until the spring, following the government's surprise decision last week to delay energy price rises until January.

The decision rattled strategic investors such as RWE and Bayernwerk of Germany, Electricité de France, Gaz de France and Italgas, which last year paid nearly $2bn for stakes in other local energy companies.

The state, which holds 58.6 per cent of Mol, hopes to raise up to $200m from the sale of 12-18 per cent. It follows the placement of an 18.8 per cent stake for $153m last autumn, in what was eastern Europe's largest ever primary equity offering.

However, the sale will almost certainly be delayed due to the government's failure to honour its pledge to raise energy prices in October. Mol's share price plunged 130 points to Ft1,540 on Friday before it recovered to close at Ft1,595. Yesterday it fell a further 30 points, ending at Ft1,565. Last year's offer was priced at Ft1,100.

The delay will increase Mol's losses on its gas business – even with the planned rises it had expected a shortfall of about Ft2.5bn ($16m) this year.

When Hungary sold off stakes in six gas and six electricity distribution companies and in two power generators last year, the government promised to raise prices twice this year, as well as guaranteeing investors an 8 per cent return and promising to clarify other regulatory issues. But last week it ordered a government commissioner to review the matter.

However, energy prices have risen sharply in the past 18 months and many ministers in the Socialist-led cabinet are reluctant to sanction further steep increases at a time of high inflation, falling real wages and welfare cuts.

"What we're seeing is a government making promises in 1995 when it wants to sell something and then having different ideas in 1996 when it wants to be popular," one western energy executive said. "This is simply unacceptable."

As part of the second phase of energy privatisation, Hungary has sold an 81 per cent stake in a generator to AES, the US utility. Unlike last year's buyers, however, AES will not pay the final $38m instalment of a purchase price of up to $143m unless several conditions, including a decision on prices, have been met.

Other investors hope they can convince the government to go ahead with the price rises on grounds that, otherwise, they will have to delay or scale back plans for badly-needed investment or renegotiate their purchase contracts.

A partial solution favoured by some investors, on the electricity side, would be for MVM, the core electricity company which operates the national grid and is still state-owned, to act as a buffer, paying cost-reflective rates for the power purchased from generators, but selling distributors at a loss. The government could then honour its commitments to investors and minimise consumer price rises, although it would, however, complicate plans to privatise MVM.

On the gas side, the state has less room to manoeuvre as it promised investors in Mol and the distributors that the companies would enjoy an 8 per cent return.

Spanish stores chain slips after buy

By David White in Madrid

El Corte Inglés, the privately-owned Spanish department store chain, took a cut of just under 8 per cent in net profits in its last financial year as a result of taking over its main rival Galerías Preciados.

However, the purchase and rapid reopening of most of the acquired stores enabled it to increase group sales to Pta1,093bn ($8.69bn), showing 7.6 per cent growth in spite of a generally slack trend in consumer demand.

Group net profits in the year to February 29 fell to Pta30.93bn, compared with Pta33.58bn the previous year. This was the lowest figure for six years. But Mr Isidoro Alvarez, chairman, described the result as satisfactory. "The test has been passed," he said.

El Corte Inglés, the third-largest Spanish company by turnover after the Repsol oil group and Telefónica, paid Pta30bn for the assets of Galerías Preciados, a troubled group which had been through six owners since the mid-1970s. Under the terms of its bid, selected by the commerce ministry, El Corte Inglés committed itself to hiring 5,200 of Galerías's 7,300 employees.

As a result of the purchase, total group investments almost doubled to Pta109.82bn, and outstanding financial debts climbed 42 per cent to Pta100.02bn. The deal involved 28 Galerías stores, of which 26 have since been reopened as El Corte Inglés branches, bringing the number of department stores in the group to 62.

The impact on profits was lessened by a 7 per cent net earnings increase at the Hipercor supermarket subsidiary to Pta5.97bn, on sales up 11.5 per cent to Pta223.54bn. However, losses at the group's California-based offshoot The Harris Company rose from Pta657m to Pta862m.

NEWS DIGEST

DG Bank up 30% at operating level

DG Bank Deutsche Genossenschaftsbank, the umbrella organisation of Germany's co-operative banks, said operating profit after risk provisions rose 30.1 per cent to DM266.2m ($178.9m) in the first half, from DM204.6m a year earlier. The bank said the increase was due to an improvement in operating business and slower growth in costs than at other banks. It said it was "optimistic" that it could achieve higher earnings for the full year as long as risk provisions and costs continued to grow at a moderate pace.

Risk provisions fell 11.9 per cent to DM188.1m in the first half, from DM213.4m a year earlier. Net interest income rose 15.4 per cent to DM1.6bn from DM1.4bn. Net commission income fell 3.8 per cent to DM138.5m from DM143.9m the year earlier, mainly due to accounting changes at building society unit Schwäbisch Hall.

Trading income fell 12 per cent to DM80.3m from DM91.3m the year earlier. Operating costs rose 9.6 per cent to DM1.35bn from DM1.23bn, lifted by the first-time consolidation of the VR leasing group. Total assets rose 2.8 per cent to DM308.7bn. *AFX News, Frankfurt*

FDA clears Aids drug

Ares-Serono, the Swiss pharmaceutical group, said the US Food and Drug Administration had cleared its Serostim human growth hormone treatment for Aids under its accelerated approval process. Serostim is used to help Aids sufferers regain lean muscle and organ tissue.

"The approval of Serostim is an extremely rewarding and important milestone for the company," Mr Ernesto Bertarelli, Ares-Serono chief executive said. *AFX News, Geneva*

Telefónica in Portuguese bid

Telefónica de España is seeking to lead a consortium in the Portuguese government's planned privatisation of a 25 per cent stake in Portugal Telecom. The size of the stake for which the consortium will bid will depend on the conditions set by the government, but a spokesman said that it is "more likely to be something like 10 per cent".

The consortium could include Societa Finanziaria Telefonica, a company spokesman said. As part of a future alliance the two companies would wish to co-operate in areas such as international traffic, he added.

Telefónica recently formed a consortium to bid for a 35 per cent stake in Brazil's state-owned Companhia Riograndense de Telecomunicacoes. *AFX News, Madrid*

Offer for Semperit

A group of investors headed by former Austrian finance minister Mr Hannes Androsch has offered to buy Continental's local tyre manufacturer Semperit Reifen. Mr Androsch told national radio ORF that he proposed buying and restructuring the unit's factory, sited in a Vienna suburb, in conjunction with foreign partners whom he did not name.

In April, Continental said it planned to cut annual output from the factory from 4m to 2m units while transferring part of its tyre production to the Czech Republic. Mr Androsch said that, in view of the parent company's plans, the purchase price "cannot be very high". *AFX News, Vienna*

Gold miners on growth treadmill

Producers are turning to takeovers in the struggle to maintain their reserves

North America's big gold mining groups are on a treadmill. They have to keep running ever faster just to stand still. Their problem, in a nutshell, is that the market values their shares mainly by looking at the mineable gold they have in the ground – their reserves.

Investors put a premium on companies whose gold reserves keep growing and also give a higher rating to big gold mining groups.

The scale of the challenge is neatly illustrated by the three biggest North American gold producers: Barrick Gold, Newmont and Placer Dome.

If they want to keep shareholders sweet, they will have to bring 7.03m troy ounces of gold into their combined reserves this year, or 217.7 tonnes. That is more gold than was produced in Canada or Russia last year – 150.3 tonnes and 142.1 tonnes respectively.

This challenge has been put in the spotlight by the C$1bn (US$730m) bid – which closes today – by Barrick for Arequipa, a four-year-old Vancouver company; the recent merger of Battle Mountain Gold and Hemlo to form North America's fifth largest gold producer; and Battle Mountain's approach last week to Niugini Mining about the possibility of acquiring the 49.6 per cent of the Papua New Guinea-based company it does not already own.

The Arequipa bid did most to bring home to investors the problems ahead for groups such as Barrick, which was formed only a little over 10 years ago and is now the biggest gold miner outside South Africa.

Arequipa's most important asset is a project in Peru where, at the time the bid was made, only nine holes had been drilled. What attracted Barrick was that those drill holes indicated there might be 3.5m ounces of gold in the deposit.

"Arequipa has an incredibly exciting deposit," says Ms Leanne Baker, analyst at Salomon Brothers. "But the bid points up the real challenge Barrick faces. Barrick needs to add 4m ounces a year to reserves just to stand still. Barrick is paying now to boost reserves and production down the road."

Mr Nick Hatch, at Flemings Global Mining Group, adds: "Obviously it becomes harder and harder to replace reserves. The problem can only get worse the bigger a company becomes. Companies like Barrick, Newmont and Placer Dome are bearing the seeds of their own destruction. They simply can't go on growing as fast as they grew in the past and this is already being reflected in the Barrick share price."

One obvious way for a gold group to boost reserves is via takeovers or mergers. Barrick's hectic growth has been helped by acquisitions, for example. Its US$1.6bn takeover of Lac Minerals, another Canadian company, in 1994 helped lift its annual gold output from 2m ounces to just over 3m while adding reserves in Chile as well as North America.

The pressure for takeovers and mergers among gold miners is also being increased by the market's preference for bigger groups.

In their latest review of North American gold producers, analysts at stockbroker T Hoare & Co point out that the top three companies (Barrick, Newmont and Placer) account for 66 per cent of the total market capital of this sector of the Financial Times Gold Mines Index, whereas their share of gold production is only 54 per cent. "Clearly the market is prepared to pay a premium for size," they add.

There is a big danger in the merger strategy, as the Hoare analysts point out. "Although it may increase total reserves and production and thus the [market] rating, the price paid is sometimes far more than the cost of finding new gold from scratch, although finding multi-million ounce deposits is clearly not easy."

Ms Baker at Salomon agrees: "Those companies with good exploration track records are the ones with the potential for adding most value, rather than those that have to acquire."

The difficulty investors face is that it is usually small or "junior" gold companies that have exploration successes. Arequipa in Peru and two other Canadian companies, Bre-X in Indonesia and IAMGold in West Africa, are recent examples.

"The large North American gold miners have found it increasingly difficult to discover gold deposits that are large enough to justify their involvement and capable of providing sufficient production to pay for the management time and big company overheads," say Hoare analysts Ms Elena Clarici, Mr Matt Sutcliffe and Mr Roger Chaplin.

"Large gold miners are resorting to a certain extent to the 'cheque book' approach to exploration which enables them to buy into juniors and areas after the discovery has been made and most of the surrounding areas have been staked."

Fortunately, as Flemings' Mr Hatch points out, it will be a long time before gold groups run out of new places to explore. "Huge tracts of the earth have not yet been properly explored and governments are now more willing to open them up to mining companies – this includes the bulk of Africa, Russia and other parts of the CIS, Indonesia, China and India," he says.

Kenneth Gooding

US Treasuries drag down Europe

By Richard Tomkins in New York and Conner Middelmann in London

With the UK closed for a national holiday, European government bond markets had a quiet day yesterday, dragged down by weakness in US Treasuries.

US bonds fell amid worries that the Federal Reserve might be set to raise interest rates next month, but the losses were mitigated by a decline in home sales.

At midday, the benchmark 30-year bond was down $\frac{11}{32}$ at $97\frac{1}{16}$, yielding 6.967 per cent.

The sell-off began on Friday when the latest report of durable-goods orders indicated that economic activity was stronger than expected. The losses increased when the Fed released the minutes of the July meeting of its Open Market Committee,

GOVERNMENT BONDS

showing that policy makers had been closer to raising interest rates than many people thought.

Worries about the prospect of an interest rate increase continued yesterday, but eased a little when the National Association of Realtors announced that sales of existing homes fell by 5 per cent in July. The figures were taken as an indicator that economic growth might, after all, be slowing.

■ German bunds ended a lacklustre session weaker, with the September futures contract on the DBT, Germany's futures and options exchange, down 0.27 at 97.15 in thin turnover.

Technically, this put the German market in a weak position, said a trader in Frankfurt. "If the bund contract on Liffe gaps lower [today], that doesn't bode well for the market," he said.

Preliminary August inflation data for western Germany showing a 0.1 per cent decline on the month and a 1.4 per cent rise on the year, had little impact on bunds.

■ The French bond market also weakened, with the notionnel bond future on Matif slipping by 0.22 to 123.30 in thin volume.

■ Italian bonds were hit by a softer lira and weaker bunds and Treasuries; the bond futures contract falling by 0.56 to 115.34. Spanish bonds fell less sharply, with the bond future on Meff ending at 100.56, down 0.26.

BNI given investment grade rating

By Manuela Saragosa in Jakarta

Bank Negara Indonesia, the state-owned bank which ranks as Indonesia's largest and is due to be publicly listed before the end of this year, has been assigned an investment grade long-term rating of triple-B and a short-term rating of A-3 by Standard & Poor's.

The rating agency said BNI's capitalisation was "reasonable", its equity-to-assets ratio "satisfactory", and that it would have the "probable support of the Indonesian government if it became distressed financially".

BNI has made no comment on the rating but it is bound to please following the low rating assigned to the bank by Moody's Investors Service in February this year.

Moody's allocated BNI a financial strength rating of D-plus, noting that its main challenge was to balance its commercial standards with those needed to support government policies.

S&P said that while BNI's financial profile is "dampened by low to moderate profitability and moderately high non-performing loans", the bank's "fiscal health" last year allowed it to increase market share.

While BNI's non-performing loans are "better than those of many other state banks", its lending exposures are "believed to be high relative to international peers".

"The bank essentially has reduced a large bulk of its non-performing assets and its main task now is to improve its competitiveness against the major private sector banks," S&P said in its rating statement.

Earlier this month, Mr Nono Purnomo, BNI managing director, indicated concern over whether the health of the state banking sector following a series of bad debt scandals in recent years would affect BNI's plans to list its shares this year.

He noted that BNI has "relationships" with 75 per cent of government-owned enterprises and that its "system of credit control is considered good".

Corporate banking represents 63 per cent of BNI's domestic loan portfolio although it intends to increase retail banking's share to 50 per cent. The bank has assets worth Rp32,000bn ($13.65bn) and more than 13,000 employees.

BNI is widely expected to be the first state-owned company to follow the initial public offering of Telkom, the state-controlled domestic telecommunications company, which was partially privatised in October last year.

Mr Bacelius Ruru, senior finance ministry official responsible for state-owned enterprises, has said the BNI float would be a domestic issue listed in Jakarta, with a tranche offered to international investors and a single co-ordinator.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 27.08.96: Pool purchase price £/MWh	Final Prices for Trading on 25.08.96: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.00	9.05	9.05
0100	9.03	8.98	8.98
0130	8.95	8.96	8.96
0200	8.95	8.97	8.97
0230	8.95	8.97	8.97
0300	8.95	8.97	8.97
0330	8.96	8.97	8.97
0400	8.95	8.97	8.97
0430	8.95	8.97	8.97
0500	8.95	8.97	8.97
0530	8.97	8.97	8.97
0600	8.99	8.97	8.97
0630	9.03	8.98	8.98
0700	9.04	9.04	9.04
0730	13.24	16.26	17.42
0800	21.46	17.11	18.25
0830	18.97	29.88	31.04
0900	25.24	30.13	31.35
0930	53.61	30.53	31.88
1000	61.63	30.86	32.29
1030	68.56	31.08	32.52
1100	78.74	31.16	32.61
1130	82.00	31.23	32.70
1200	82.82	31.25	32.85
1230	78.82	31.19	32.63
1300	67.05	30.92	32.33
1330	42.63	18.09	19.42
1400	35.41	17.32	19.20
1430	27.22	17.82	19.08
1500	26.20	17.76	19.03
1530	25.96	17.81	19.07
1600	27.28	12.16	12.18
1630	29.89	26.05	27.48
1700	34.70	46.10	47.57
1730	31.63	45.88	47.29
1800	22.30	45.31	46.60
1830	18.41	17.50	18.69
1900	15.75	22.33	23.48
1930	9.29	17.10	18.24
2000	9.50	16.68	17.81
2030	20.68	16.68	17.81
2100	22.70	18.03	19.17
2130	22.45	18.03	19.17
2200	21.01	31.48	32.61
2230	15.32	31.47	32.61
2300	15.20	21.75	22.89
2330	15.18	19.84	20.98
2400	12.82	19.84	20.98

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 943 6789 between 8-30am and 5:15pm Monday to Friday.

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Overexpansion felled Chamberlain

By Jane Martinson

Receivers at Chamberlain Phipps have blamed most of the UK footwear group's downfall on its aggressive international expansion.

Speaking for the first time since being appointed last Monday, Mr Murdoch McKillop, joint receiver, said that difficult trading in the UK shoe industry had not helped, but it was international ambitions that led to the group's downfall.

Chamberlain shares were suspended last week after a survival plan put forward by Postern, a corporate recovery specialist, was rejected by creditors led by the Bank of Scotland. The bank, together with Credit Lyonnais Laing, was owed about 230m ($47m) by the company, which had issued two profits warnings and breached its bank covenants.

The Arthur Andersen receivers now hope to sell Chamberlain's three remaining international divisions – in the US, Canada and the UK – separately and as going concerns. "We are trying to make sure all the constituent parts survive, but under new ownership," said Mr McKillop.

Although some potential buyers had indicated they would be interested in the entire business, this is unlikely to happen.

In spite of a number of approaches, Mr McKillop is not keen to rush into a sale: "There is no need to rush into anything and certainly no need to panic. We are not going to have a fire sale. What we want is for the businesses to settle down."

The strategy of delaying the sales is intended to attract better prices. Mr McKillop said the 12 serious buyers would be contacted once his 20-strong team had "a better idea about what's happening".

He envisages the UK sale within three months, by which time a statement of affairs from the former directors should have been filed. Six people had left Chamberlain's head office and no other redundancies were planned.

The French shoe manufacturing arm was sold last week in a management buy-out, although final details have not been agreed.

Mr McKillop intends to realise the group's investment in the two other international companies, as well as intercompany debt of some C$8m ($5.8m) in Canada and $4m in the US.

The most difficult sale is likely to be that of Knapp, Chamberlain's US company. Mr McKillop denied speculation that the company might have to file for Chapter 11 Bankruptcy protection.

Utd Utils woos US investors

By Jane Martinson

Senior executives from United Utilities, the UK's first multi-utility, returned from an intensive charm offensive aimed at US investors on Friday.

The visit, the first by executives in two years, follows substantial investor criticism of the group's new pay packages agreed at last month's annual meeting.

Mr Bob Ferguson, group finance director, accompanied on the trip by Mr Brian Staples, group chief executive and Mr Clive Elphick, planning director, said US institutions had shown "a lot of interest in the United Utilities story".

As well as the controversy over the new pay plan, UK institutions have questioned the role of Sir Desmond Pitcher, executive chairman, in recent months. Sir Desmond, who went on holiday after the annual meeting and has only recently returned, is still expected to carry out his own charm offensive aimed at UK investors.

Following North West Water's £1.8bn ($2.79bn) takeover of Norweb last November – to form United – the shares have underperformed the sector. But since last month's annual meeting they have gained some 40p to close at 607p on Friday.

Powering the flotation – David Price, left, with David Shipman, finance director

Lavendon raising up to £12m

By Christopher Price

Lavendon Group, which rents out mobile extensions for outside broadcast cameras and construction work, is planning an autumn flotation which is likely to value the company in excess of £25m ($39m).

The group plans to raise between £8m and £12m, which will be used to pay off venture capital investors and reduce debt. Lavendon, founded in 1988, was subject to a management buy-in in 1992. CinVen owns 55 per cent of the equity and management the remainder.

Mr David Price, chairman, said the market for powered access equipment was being driven by health and safety requirements across Europe, and was replacing traditional scaffolding in a large number of markets.

Pre-tax profits of £1.8m were struck on sales of £9.9m in 1995, against £650,000 and £7.2m respectively.

About two-thirds of Lavendon revenues are generated from the construction business, including a large proportion of repair and maintenance work. The company also provides powered access vehicles for broadcasting work, including the Wimbledon tennis championships and the British golf championship.

The company has 400 powered access vehicles, the largest of which cost £500,000 and is hired out for £10,000 a week.

Besson Gregory is sponsor and broker to the float.

Bass deal may mean licensing review

By Alice Rawsthorn

Bass may face a review of the licensing deal to make and distribute Castlemaine XXXX, the Australian lager, if its proposed acquisition of Carlsberg-Tetley, the rival brewing joint venture, goes through.

Carlsberg-Tetley, which spent a year negotiating the acquisition with Bass before agreeing terms at the weekend, holds the licence to produce and sell Castlemaine in the UK from Lion Nathan, the New Zealand drinks group that owns the brand.

Under the terms of such agreements, licensing rights usually come up for review if the licensee undergoes a change of control. This is believed to be the case under Carlsberg-Tetley's licensing deal to produce Castlemaine.

The acquisition agreement involves a change of control for the Carlsberg-Tetley venture. It enables Bass to buy 50 per cent of the company from the Allied Domecq drinks group for £200m ($310m). Carlsberg, the Danish brewer, will put the other 50 per cent of Carlsberg-Tetley plus £20m into Bass's UK brewing subsidiary, in return for a 20 per cent stake in that business.

Bass said Carlsberg-Tetley had a number of other small licensing arrangements, but the Castlemaine contract was by far the biggest. Castlemaine is the UK's 11th best selling beer brand.

The UK brewer's plans for Carlsberg-Tetley have been put on ice, while the Office of Fair Trading reviews the proposed deal, which will enlarge Bass's share of the UK brewing market from 23 per cent to 35-38 per cent and give it eight of the 15 best selling beer brands.

The OFT is considering whether to recommend a referral to the Monopolies and Mergers Commission. If the OFT allows Bass to press ahead with the entire deal, Bass will review its enlarged operations.

Banks back Greycoat's City projects

By Simon London, Property Correspondent

Greycoat, the property company, has raised bank finance for two speculative City of London office developments, providing the most concrete evidence to date that lenders are returning to the development market.

Banks have been unwilling to finance speculative property schemes since the City development boom of the late 1980s, which resulted in an oversupply of new buildings, a collapse in property values and large loan write-offs.

The availability of bank finance will determine whether a new wave of speculative development takes place, now that City rents are again on an upward trend.

Greycoat has raised about £20m ($31m) to finance two 50,000 sq ft developments, at 7 Bishopsgate and 1 Great St Helens. Both schemes are scheduled to be completed by the end of 1997.

The respective lenders are Hongkong and Shanghai Banking Corporation and Heliba, the German mortgage bank.

The loans are non-recourse, so the banks' main security is in the value of the finished buildings, which Greycoat has guaranteed to complete.

In each case, the banks agreed to lend 50 per cent of the development cost, a conservative loan-to-value ratio. In the late 1980s, loan-to-value ratios were typically 75-80 per cent, which meant that developers needed relatively little equity to fund speculative projects.

Mr Chris Strickland, Greycoat's development director, said only a handful of banks were willing to consider speculative development finance even on such conservative terms. "All the banks we have been talking to have large property teams. They understand the market and have the resources to monitor loans as developments take shape."

Greycoat is paying an interest margin over interbank rates of 1 to 1.5 percentage points.

Mentmore in bid talks with BDM

By Geoff Dyer

Mentmore Abbey, the stationery, housewares and storage group, has entered into talks with British Data Management about a takeover bid for the archive storage company.

A takeover would further transform Mentmore, which changed its name from Platignum in March when it acquired Abbey Storage for £24.5m.

BDM announced on August 12 that it had received an approach which might lead to an offer. The group said that any bid was likely to be at a modest premium to the share price – then 179p, valuing it at a £44.7m.

BDM shares, at 159p before takeover speculation began, closed at 180p on Friday.

It is thought any deal could take some time to put together because of the relative sizes of the two groups: Mentmore has a market capitalisation of only £27m.

Analysts did not rule out a bid from another party, with Brambles Industries, the Sydney-based transportation and equipment hire group, mentioned as a possible candidate.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Aug 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1958	-0.0095	879 - 037	16.2053	16.1718	16.1645	2.3	16.0895	2.6	-	-	105.2
Belgium	(BFr)	47.3905	-0.2147	705 - 104	47.4830	47.1370	47.2955	2.4	47.1055	2.4	46.3355	2.2	107.2
Denmark	(DKr)	8.8902	-0.0414	852 - 045	8.8956	8.8825	8.8765	1.9	8.8561	1.5	8.7463	1.6	107.9
Finland	(FM)	6.9804	-0.0095	734 - 073	6.9840	6.9730	6.976	0.8	6.968	0.7	-	-	84.9
France	(FFr)	7.8630	-0.0275	602 - 658	7.8663	7.8546	7.8488	2.2	7.8248	1.9	7.718	1.8	108.9
Germany	(DM)	2.3018	-0.0099	007 - 028	2.3033	2.2986	2.2969	2.6	2.2872	2.5	2.245	2.5	109.2
Greece	(Dr)	367.732	-1.002	560 - 905	367.928	366.743	-	-	-	-	-	-	67.3
Ireland	(I£)	0.9620	-0.001	612 - 628	0.9630	0.9610	0.9615	0.6	0.9603	0.7	0.9558	0.6	98.8
Italy	(L)	2352.25	-1.9	126 - 325	2355.80	2343.38	2357.8	-2.8	2367.65	-2.6	2400.15	-2.0	76.5
Luxembourg	(LFr)	47.3905	-0.2147	705 - 104	47.4830	47.1370	47.2955	2.4	47.1055	2.4	46.3355	2.2	107.2
Netherlands	(Fl)	2.5781	-0.013	770 - 791	2.5889	2.5767	2.572	2.8	2.56	2.8	2.5123	2.6	107.4
Norway	(NKr)	9.9661	-0.036	580 - 741	9.9741	9.9514	9.9578	1.0	9.9406	1.0	9.8571	1.1	98.3
Portugal	(Es)	235.104	-0.616	965 - 242	236.253	235.890	235.529	-2.2	237.434	-2.3	-	-	95.6
Spain	(Pta)	194.506	-0.782	430 - 582	194.644	194.379	194.768	-1.6	195.263	-1.6	196.683	-1.1	80.8
Sweden	(SKr)	10.2511	-0.008	426 - 595	10.2641	10.2103	10.2514	0.0	10.2515	0.0	10.2494	0.0	89.4
Switzerland	(SFr)	1.8565	-0.0118	553 - 577	1.8581	1.8510	1.8515	3.2	1.8407	3.4	1.7925	3.4	113.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	85.0
Ecu	-	1.2234	-0.004	228 - 240	1.2241	1.2207	1.2221	1.3	1.2191	1.4	1.2058	1.4	-
SDR†	-	1.067210	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5549	+0.0028	543 - 554	1.5576	1.5540	-	-	-	-	-	-	-
Brazil	(R$)	1.5806	+0.0028	801 - 811	1.5817	1.5795	-	-	-	-	-	-	-
Canada	(C$)	2.1343	+0.0054	333 - 352	2.1352	2.1318	2.1336	0.4	2.13	0.8	2.1219	0.6	84.0
Mexico	(New Peso)	11.6814	+0.0544	745 - 883	11.6901	11.6585	-	-	-	-	-	-	-
USA	($)	1.5570	+0.0028	566 - 574	1.5580	1.5555	1.5565	0.4	1.5562	0.2	1.5565	0.0	96.3
Pacific/Middle East/Africa													
Australia	(A$)	1.9690	+0.0015	679 - 701	1.9707	1.9645	1.9716	-1.6	1.9766	-1.5	2.0019	-1.7	92.7
Hong Kong	(HK$)	12.0394	+0.0215	359 - 429	12.0468	12.0284	12.0313	0.8	12.0197	0.7	11.9999	0.3	-
India	(Rs)	55.5072	+0.1776	815 - 328	55.5400	55.1710	-	-	-	-	-	-	-
Israel	(Shk)	4.8958	-0.0038	913 - 999	4.9077	4.8864	-	-	-	-	-	-	-
Japan	(Y)	167.580	-1.02	475 - 685	168.370	167.460	166.855	5.2	165.365	5.3	158.98	5.1	133.7
Malaysia	(M$)	3.8808	+0.0054	790 - 826	3.8841	3.8768	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2421	+0.0021	404 - 438	2.2440	2.2404	2.2471	-2.7	2.2566	-2.6	2.2904	-2.2	108.5
Philippines	(Peso)	40.7857	+0.0656	207 - 506	40.8500	40.7173	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8395	+0.0105	377 - 412	5.8431	5.8342	-	-	-	-	-	-	-
Singapore	(S$)	2.1931	+0.0009	917 - 944	2.1951	2.1891	-	-	-	-	-	-	-
South Africa	(R)	7.0540	-0.0028	483 - 597	7.0671	7.0480	-	-	-	-	-	-	-
South Korea	(Won)	1273.86	+2.14	345 - 426	1274.60	1272.71	-	-	-	-	-	-	-
Taiwan	(T$)	42.7817	+0.0536	629 - 005	42.8014	42.7420	-	-	-	-	-	-	-
Thailand	(Bt)	39.3687	+0.035	508 - 866	39.3940	39.3170	-	-	-	-	-	-	-

† Rates for Aug 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan Index
Europe													
Austria	(Sch)	10.4018	-0.0635	993 - 043	10.4134	10.3972	10.3924	2.2	10.3404	2.4	10.1669	2.4	105.2
Belgium	(BFr)	30.4370	-0.193	320 - 420	30.5040	30.2740	30.382	2.2	30.2745	2.1	29.772	2.2	106.9
Denmark	(DKr)	5.7098	-0.037	085 - 111	5.7171	5.7045	5.7023	1.6	5.6953	1.7	5.6163	1.6	107.2
Finland	(FM)	4.4832	-0.0029	799 - 865	4.4946	4.4785	4.4767	1.7	4.4647	1.7	4.4192	1.4	84.3
France	(FFr)	5.0501	-0.0267	496 - 506	5.0552	5.0469	5.0425	1.8	5.0286	1.7	4.9596	1.8	108.4
Germany	(DM)	1.4785	-0.0081	780 - 788	1.4798	1.4762	1.4756	2.2	1.4696	2.3	1.4425	2.4	108.6
Greece	(Dr)	236.180	-1.07	130 - 230	236.290	235.550	237.855	-8.5	241.205	-8.5	255.15	-8.0	66.8
Ireland	(I£)	1.6185	+0.0045	175 - 195	1.6198	1.6160	1.6191	-0.4	1.62	-0.4	1.6115	0.4	-
Italy	(L)	1510.76	-3.84	051 - 101	1513.89	1505.45	1515.51	-3.8	1523.66	-3.4	1546.41	-2.4	76.0
Luxembourg	(LFr)	30.4370	-0.193	320 - 420	30.5040	30.2740	30.382	2.2	30.2745	2.1	29.772	2.2	106.9
Netherlands	(Fl)	1.6558	-0.0115	555 - 560	1.6638	1.6553	1.6524	2.4	1.6453	2.5	1.6136	2.6	105.9
Norway	(NKr)	6.4008	-0.0646	973 - 043	6.4074	6.3915	6.3979	0.6	6.3923	0.5	6.3558	0.7	97.6
Portugal	(Es)	151.640	-0.8	590 - 690	151.700	151.500	151.955	-2.5	152.545	-2.4	154.09	-2.0	95.7
Spain	(Pta)	124.925	-0.715	910 - 940	125.070	124.850	125.175	-2.4	125.605	-2.2	127.145	-1.8	80.5
Sweden	(SKr)	6.5838	-0.017	801 - 876	6.5905	6.5580	6.583	0.2	6.5954	-0.1	6.5604	0.4	88.9
Switzerland	(SFr)	1.1924	-0.0087	910 - 939	1.1940	1.1891	1.1888	3.6	1.1814	3.7	1.1479	3.7	113.0
UK	(£)	1.5570	+0.0028	566 - 574	1.5580	1.5555	1.5565	0.4	1.5562	0.2	1.5565	0.0	84.6
Ecu	-	1.2728	+0.0064	725 - 730	1.2751	1.2718	1.2735	-0.7	1.2752	-0.8	1.284	-0.9	-
SDR†	-	0.68715	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9996	-	995 - 997	0.9999	0.9995	-	-	-	-	-	-	-
Brazil	(R$)	1.0152	-	151 - 152	1.0155	1.0150	-	-	-	-	-	-	-
Canada	(C$)	1.3708	+0.001	705 - 710	1.3710	1.3700	1.3706	0.1	1.3709	0.0	1.3737	-0.2	83.2
Mexico	(New Peso)	7.5025	+0.0215	000 - 050	7.5050	7.5000	7.664	-25.8	7.849	-18.5	9.6128	-28.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	97.1
Pacific/Middle East/Africa													
Australia	(A$)	1.2645	-0.0013	642 - 650	1.2650	1.2642	1.2665	-1.9	1.27	-1.7	1.2887	-1.9	94.1
Hong Kong	(HK$)	7.7325	-	322 - 327	7.7331	7.7320	7.7332	-0.1	7.735	-0.1	7.762	-0.4	-
India	(Rs)	35.6500	+0.05	500 - 500	35.8550	35.4500	35.8	-5.0	36.105	-5.1	37.575	-5.4	-
Israel	(Shk)	3.1443	-0.0081	423 - 462	3.1530	3.1386	-	-	-	-	-	-	-
Japan	(Y)	107.630	-0.85	590 - 670	108.110	107.550	107.185	5.0	106.285	5.0	102.545	4.7	134.2
Malaysia	(M$)	2.4925	-0.001	920 - 930	2.4935	2.4915	2.4934	-0.4	2.4995	-1.1	2.523	-1.2	-
New Zealand	(NZ$)	1.4399	-0.0012	393 - 407	1.4410	1.4390	1.443	-2.6	1.4498	-2.5	1.4734	-2.3	-
Philippines	(Peso)	26.1950	-0.005	900 - 000	26.2300	26.1800	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 506	3.7507	3.7503	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4085	-0.002	080 - 090	1.4100	1.4060	1.405	3.0	1.399	2.7	1.3735	2.5	-
South Africa	(R)	4.5305	-0.01	280 - 330	4.5400	4.5280	4.578	-12.6	4.668	-12.1	5.0055	-10.5	-
South Korea	(Won)	818.150	-0.1	100 - 200	818.400	817.300	-	-	-	-	-	-	-
Taiwan	(T$)	27.4770	-0.015	720 - 820	27.4820	27.4710	27.482	-0.2	27.487	-0.1	-	-	-
Thailand	(Bt)	25.2850	-0.023	800 - 900	25.2930	25.2680	25.3837	-4.7	25.5875	-4.8	26.47	-4.7	-

† SDR rate per $ for Aug 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 23: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 23	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	[illegible]	3⅛	3⅜	3⅜	3¾	8.00	2.50	-
week ago	3¼	3⅛	3⅛	3⅛	3¾	7.00	2.50	-
France	3⅜	3⅜	3⅜	3⅞	3⅞	3.35	-	4.75
week ago	3⅜	3⅜	3⅜	3⅜	4⅛	3.55	-	4.75
Germany	3⅛	3⅛	3⅛	3⅛	3⅜	4.50	2.50	3.00
week ago	3⅛	3⅛	3⅛	3⅛	3⅜	4.50	2.50	3.30
Ireland	3⅛	3⅛	3⅜	3⅜	3⅜	-	-	6.25
week ago	5½	5⅝	5¾	5⅞	5⅞	-	-	6.25
Italy	5½	5⅝	5⅞	5⅞	6⅛	-	8.25	8.65
week ago	8⅛	8⅜	8⅜	8½	8¾	-	8.25	9.03
Netherlands	8⅜	8⅜	8⅜	8½	8⅜	-	3.00	3.30
week ago	2¾	2¾	[illegible]	2⅞	3⅛	-	3.00	3.30
Switzerland	2⅞	2⅞	2⅞	3⅛	3⅜	-	1.50	-
week ago	2⅛	2⅛	2⅛	2⅛	2⅛	5.00	1.50	-
US	2⅛	2⅛	2⅛	2⅛	2⅛	-	5.00	-
week ago	5⅛	5⅛	5⅜	5⅜	5⅝	-	5.00	-
Japan	5⅛	5⅛	5½	5⅜	5⅝	-	0.50	-
week ago	[illegible]	½	½	½	⅝	-	0.50	-

	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
■ $ LIBOR FT London Interbank Fixing	-	5⅜	5⅝	5¾	5⅞	-	-	-
week ago	-	5⅜	5½	5¾	5⅞	-	-	-
US Dollar CDs	-	5.09	5.16	5.26	5.49	-	-	-
week ago	-	5.09	5.17	5.27	5.50	-	-	-
ECU Linked Ds	-	4⅞	4⅛	4⅞	4⅜	-	-	-
week ago	-	4⅞	4⅜	4⅜	4⅜	-	-	-
SDR Linked Ds	-	[illegible]	3⅜	3⅜	3⅜	-	-	-
week ago	-	3⅜	3⅜	3⅜	3⅜	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds)

EURO CURRENCY INTEREST RATES

Aug 23	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3⅛ - 2⅞	3⅛ - 3	3⅛ - 3⅛	3¼ - 3⅛	3¼ - 3⅛	3⅞ - 3¾
Danish Krone	3⅞ - 3⅞	3⅞ - 3⅞	4⅜ - 4⅜	3⅞ - 3⅞	3⅞ - 3⅛	4⅛ - 4
D-Mark	3¼ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅛ - 3⅛	3⅞ - 2⅞	3⅞ - 3⅛
Dutch Guilder	2⅞ - 2¾	2⅞ - 2¾	2⅞ - 2⅞	3 - 2⅞	3⅛ - 3	3⅜ - 3⅛
French Franc	3⅞ - 3⅞	3⅞ - 3½	3⅞ - 3⅞	3⅞ - 3⅝	3⅞ - 3⅝	4 - 3⅞
Portuguese Esc.	7⅛ - 6⅞	7⅛ - 7¼	7⅜ - 7¼	7⅛ - 7⅛	7⅛ - 7⅛	7⅛ - 7⅛
Spanish Peseta	7⅞ - 7⅛	7⅞ - 7⅞	7⅜ - 7⅜	7⅛ - 7⅛	7⅞ - 7⅜	7⅞ - 7⅜
Sterling	5¾ - 5⅝	5¾ - 5⅝	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞
Swiss Franc	2¼ - 2⅛	2⅜ - 2¼	2⅜ - 2⅜	2⅛ - 2⅛	2⅜ - 2¼	2½ - 2⅜
Can. Dollar	4⅛ - 3⅞	4⅛ - 3⅞	4⅛ - 4	4⅛ - 4⅛	4⅜ - 4⅜	4⅞ - 4⅞
US Dollar	5⅜ - 5⅛	5⅜ - 5⅜	5⅜ - 5⅜	5⅞ - 5⅜	5⅞ - 5½	5⅞ - 5⅞
Italian Lira	8⅛ - 8⅝	8⅝ - 8⅝	8⅞ - 8⅞	8⅞ - 8⅝	8½ - 8⅝	8⅝ - 8¼
Yen	⅛ - ⅜	½ - ⅜	½ - ¼	½ - ⅜	⅞ - ⅞	⅞ - ⅞
Asian $Sing	3⅛ - 3⅛	3¼ - 3⅛	3⅛ - 3⅜	3⅛ - 3¼	3⅛ - 3¼	3⅛ - 3½

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.43	94.39	-0.05	94.42	94.39	69,433	372,963
Dec	94.14	94.07	-0.08	94.14	94.06	115,785	479,135
Mar	94.01	93.90	-0.11	93.98	93.89	119,112	298,758

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	94.98	94.90	-0.08	94.94	94.90	846	6,712
Dec	94.71	94.67	-0.08	94.72	94.66	518	2,047
Mar	94.51	94.52	-0.09	94.58	94.51	21	842

All Open interest figs. are for previous day

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	109-14	109-06	-0-11	109-14	109-05	393,272	357,315
Dec	109-31	108-16	-0-19	109-31	108-14	22,776	93,113
Mar	108-07	108-00	-0-19	108-10	108-02	644	7,268

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
Prime rate	8¼	One month	-	Two year	6.18
Broker loan rate	7	Two month	-	Three year	6.35
Fed.funds	5¼	Three month	5.20	Five year	6.56
Fed.funds at intervention	-	Six month	5.37	10-year	6.78
		One year	5.75	30-year	6.98

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	100.60	100.56	-0.27	100.76	100.38	23,913	52,236
Dec	100.00	100.11	-0.19	100.16	99.95	542	8,058

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	96.01	95.98	-0.06	96.01	95.97	9,409	45,216
Dec	95.96	95.95	-0.05	95.99	95.93	8,968	50,906
Mar	95.94	95.93	-0.05	95.94	95.90	1,734	34,745

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	123.84	123.30	-0.22	123.40	123.16	26,731	187,223
Dec	121.86	121.92	-0.20	122.00	121.84	2,320	39,700
Mar	121.86	121.74	-0.12	121.92	121.66	872	8,982

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		8.750	11/06	92.3560	+0.400	7.86	8.07	8.76
Austria		6.250	05/06	96.6200	-0.240	6.34	6.26	6.50
Belgium		7.000	05/06	102.6700	-0.330	6.61	6.62	6.82
Canada *		7.000	12/06	97.8300	-0.520	7.30	7.33	7.67
Denmark		8.000	03/06	104.7800	-0.320	7.28	7.18	7.36
France	BTAN	5.500	10/01	99.6820	-0.270	5.57	5.44	5.61
	OAT	7.250	04/06	106.0700	-0.450	6.36	6.35	6.50
Germany Bund		6.250	04/06	99.1700	-0.460	6.36	6.24	6.52
Ireland		8.000	08/06	103.0900	+0.090	7.55	7.51	7.51
Italy		9.500	02/06	101.2200	+0.190	9.30†	9.19	9.19
Japan	No 140	6.600	06/01	119.7470	-0.010	2.06	2.12	2.35
	No 182	3.000	09/05	99.1876	-	3.12	3.15	3.29
Netherlands		8.500	06/06	115.4800	-0.370	6.32	6.22	6.46
Portugal		11.875	02/05	118.8800	+0.330	8.62	8.70	8.71
Spain		8.800	04/06	99.4900	+0.600	8.79	8.82	8.73
Sweden		6.000	02/05	88.0534	-	7.99	8.01	8.32
UK Gilts		8.000	12/00	103-20	-8/32	7.00	6.99	7.12
		7.500	12/06	97-19	-11/32	7.84	7.78	7.89
		9.000	10/08	107-29	-9/32	7.97	7.88	8.00
US Treasury *		7.000	07/06	101.94	-23/32	6.73	6.61	6.86
		6.750	08/26	97-09	-33/32	6.93	6.81	7.02
ECU (French Govt)		7.500	04/05	104.5500	-0.350	6.78	6.78	6.96

Closing data for 23/8/96. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal Source: MMS International

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.76	16.59	4.858	2.030	4963	5.440	21.03	498.2	410.4	21.63	3.916	2.110	4.503	3.286	353.7	2.581
Denmark	(DKr)	53.31	10	8.845	2.589	1.082	2646	2.900	11.21	265.6	218.8	11.53	2.088	1.125	2.400	1.751	188.5	1.376
France	(FFr)	60.27	11.31	10	2.928	1.223	2991	3.279	12.67	300.3	247.4	13.04	2.360	1.272	2.714	1.980	213.2	1.555
Germany	(DM)	20.59	3.862	3.416	1	0.418	1022	1.120	4.329	102.6	84.49	4.453	0.806	0.434	0.927	0.676	72.81	0.531
Ireland	(I£)	49.26	9.241	8.174	2.393	1	2445	2.680	10.36	245.4	202.2	10.65	1.929	1.040	2.218	1.619	174.2	1.271
Italy	(L)	2.015	0.378	0.334	0.098	0.041	100.	0.110	0.424	10.04	8.270	0.436	0.079	0.043	0.091	0.066	7.126	0.052
Netherlands	(Fl)	18.38	3.448	3.050	0.893	0.373	912.3	1	3.866	91.56	75.45	3.976	0.720	0.388	0.828	0.604	65.01	0.474
Norway	(NKr)	47.55	8.920	7.890	2.310	0.965	2360	2.587	10	236.9	195.2	10.28	1.862	1.003	2.141	1.562	168.2	1.227
Portugal	(Es)	20.07	3.765	3.330	0.975	0.407	996.2	1.092	4.221	100.	82.38	4.341	0.786	0.424	0.904	0.659	70.99	0.518
Spain	(Pta)	24.37	4.571	4.043	1.184	0.495	1209	1.325	5.124	121.4	100.	5.270	0.954	0.514	1.097	0.801	86.17	0.629
Sweden	(SKr)	46.23	8.673	7.671	2.246	0.939	2295	2.515	9.723	230.3	189.8	10	1.811	0.976	2.082	1.519	163.5	1.193
Switzerland	(SFr)	25.53	4.790	4.237	1.240	0.518	1267	1.389	5.370	127.2	104.8	5.523	1	0.539	1.150	0.839	90.30	0.659
UK	(£)	47.39	8.890	7.863	2.302	0.962	2352	2.578	9.966	236.1	194.5	10.25	1.856	1	2.134	1.557	167.6	1.223
Canada	(C$)	22.21	4.166	3.685	1.079	0.451	1102	1.208	4.670	110.6	91.14	4.803	0.870	0.469	1	0.730	78.54	0.573
US	($)	30.44	5.710	5.050	1.478	0.618	1511	1.656	6.401	151.6	124.9	6.583	1.192	0.642	1.371	1	107.6	0.785
Japan	(Y)	28.28	5.304	4.692	1.374	0.574	1403	1.538	5.946	140.9	116.1	6.116	1.107	0.597	1.273	0.929	100.	0.730
Ecu		38.75	7.269	6.429	1.882	0.787	1923	2.108	8.149	193.0	159.0	8.381	1.518	0.818	1.745	1.273	137.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est.vol	Open int.
Sep	0.6773	0.6769	-0.0004	0.6781	0.6763	26,596	66,375
Dec	0.6817	0.6806	-0.0006	0.6820	0.6804	1,296	6,145
Mar	0.6859	0.6859	+0.0003	0.6859	0.6869	52	880

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est.vol	Open int.
Sep	0.8414	0.8394	-0.0001	0.8415	0.8389	17,534	37,723
Dec	0.8478	0.8460	-0.0002	0.8483	0.8457	1,012	3,302
Mar	0.8546	0.8546	+0.0010	0.8548	0.8546	3	617

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est.vol	Open int.
Sep	0.9292	0.9312	+0.0050	0.9325	0.9276	20,248	74,639
Dec	0.9418	0.9430	+0.0051	0.9444	0.9418	518	6,477
Mar	-	0.9518	-	-	-	2	167

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est.vol	Open int.
Sep	1.5566	1.5562	-0.0004	1.5576	1.5546	10,526	50,546
Dec	1.5584	1.5584	+0.0002	1.5580	1.5546	354	1,476
Mar	-	1.5556	-	1.5570	1.5550	5	9

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Sep	Oct	Nov	PUTS Sep	Oct	Nov
1.530	-	2.33	2.66	0.03	0.36	0.76
1.540	1.22	1.63	2.07	0.22	0.68	1.12
1.550	0.60	1.07	1.53	0.60	1.09	1.57
1.560	0.22	0.65	1.09	1.23	1.67	2.13
1.570	0.03	0.35	0.75	2.03	-	-

Previous day's vol., Calls 5,316 Puts 4,637 . Prev. day's open int., Calls 183,224 Puts 140,139

■ Pound in New York

Aug 26	—Latest—	-- Prev. close --
£ spot	1.5555	1.5580
1 mth	1.5550	1.5556
3 mth	1.5549	1.5533
1 yr	1.5543	1.5562

FT GUIDE to WORLD CURRENCIES
The FT Guide to World Currencies table can be found on the Commodities page in Today's edition.

UK INTEREST RATES

LONDON MONEY RATES

Aug 23	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6¼ - 5	5⅞ - 5⅞	5¾ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	6 - 5⅞
Sterling CDs	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞
Treasury Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	-	-
Bank Bills	-	-	5⅞ - 5⅞	5⅞ - 5⅞	5⅞ - 5⅞	-
Local authority deps.	5⅞ - 5⅞	5⅞ - 5⅞	5¾ - 5⅞	5⅞ - 5⅞	5⅞ - 5¾	5⅞ - 5⅞
Discount Market deps	6¼ - 5⅞	5⅞ - 5⅞	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc.
Ave. tender rate of discount on Aug 23, 5.5335pc. ECGD fixed rate Stlg. Export Finance. Make up day July 31, 1996. Agreed rate for period Aug 26, 1996 to Sep 24, 1996, Schemes II & III 7.06pc. Reference rate for period Jun 29, 1996 to July 31, 1996, Schemes IV & V 5.811pc. Finance House Base Rate 6pc from Aug 1, 1996

BANK OF ENGLAND TREASURY BILL TENDER

	Aug 23	Aug 16		Aug 23	Aug 16
Bills on offer	£800m	£800m	Top accepted rate	5.5351%	5.5752%
Total of applications	£2868m	£2604m	Ave. rate of discount	5.5335%	5.5649%
Total allocated	£800m	£800m	Average yield	5.6314%	5.6431%
Min. accepted bid	£98.620	£98.610	Offer at next tender	£800m	£800m
Allotment at min. level	50%	6%	Min. accept. bid 182 days	-	-

BANK RETURN

BANKING DEPARTMENT	Wednesday August 21, 1996	Increase or decrease for week
Liabilities	£	£
Capital	14,553,000	
Public deposits	884,669,554	-95,443,858
Bankers deposits	2,004,291,366	+118,285,278
Reserve and other accounts	3,146,690,493	-45,079,735
	6,050,204,413	-22,238,315
Assets		
Government securities	1,179,471,400	-380,539,999
Advance and other accounts	3,707,053,840	+939,394,612
Premise, equipment and other secs	1,160,322,376	-598,376,036
Notes	3,262,445	-2,693,873
Coin	94,350	-23,219
	6,050,204,413	-22,238,315
ISSUE DEPARTMENT		
Liabilities		
Notes in circulation	21,136,737,555	+262,693,873
Notes in Banking Department	3,262,445	-2,693,873
	21,140,000,000	+260,000,000
Assets		
Other Government securities	14,515,230,722	+1,344,984,602
Other Securities	6,624,769,278	-1,084,984,602
	21,140,000,000	+260,000,000

FT GOLD MINES INDEX

	Aug 23	% chg on day	Aug 22	Year ago	Gross div yield %	P/E ratio	52 week High	Low
Gold Mines Index (31)	2045.05	+0.8	2024.44	2038.24	1.58	-	2880.73	1753.85
■ Regional Indices								
Africa (13)	2862.42	+2.2	2807.21	2840.81	3.11	38.21	3853.86	2272.74
Australasia (7)	2442.44	+0.0	2442.19	2422.97	2.38	22.85	2927.34	2123.50
North America (11)	1846.55	-0.1	1847.91	1754.54	0.72	66.98	2166.39	1488.94

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LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1996 High	Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	-	100	100	Amer Opps Ln 03/08	100		-	-	-	-
-	F.P.	12.7	66	65	†Barbican Hlthcre	66		-	-	-	-
§110	F.P.	10.8	159	120	†Chemical Design	158	+2	-	-	-	-
*	F.P.	5.17	4	4	†Dentmaster	4		-	-	-	-
§	F.P.	67.6	679½	675½	Egypt Trust	675½	-2½	-	-	-	-
§145	F.P.	50.7	248	148	†Elec Retail Sys	241	+23	-	-	-	-
§	F.P.	2.62	55	41	†Fayrewood	48		-	-	-	-
16	F.P.	6.45	18	17	†Gabriel Trust	18		-	-	-	-
§	F.P.	15.7	63	60	†Gail Thomson Env	60	-1	W-	-	-	6.6
§95	F.P.	15.2	95	95	Hambros Sm Asn Cp	95		-	-	-	-
§100	F.P.	24.2	98	94	Hoare Gvt 1000 C	97		-	-	-	-
§12	F.P.	0.60	15	12	†Life Numbers	12		-	-	-	-
§	F.P.	0.16	6	2	†Life Numbers Wts	5		-	-	-	-
-	F.P.	4.73	16½	13	†London & Ed Pub	15½		b0.25	3.8	2.0	11.8
§100	F.P.	78.8	96	90½	Schroder Em Ctrs	91½		-	-	-	-
§	F.P.	6.26	37	31	Schroder Em Wts	35		-	-	-	-
-	F.P.	40.8	375	343	Schroder Em Ct C	371		-	-	-	-
§60	F.P.	13.3	70	65	†Selector	65		-	-	-	-
145	F.P.	477.0	169	155	Somerfield	159		W6.0	2.5	7.1	7.1
§70	F.P.	6.39	72	71	Walker, Crips	71		2.0	2.2	5.5	11.0
-	F.P.	6.02	130	120	†West 175 Extra	130		-	-	-	-

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1996 High	Low	Stock	Closing price p	+or-
180	Nil	2/10	18pm	10pm	Inspec Group	18pm	+2
69	Nil	28/8	3pm	2pm	Jerome (S)	2pm	
280	Nil	30/8	65pm	50pm	Scottish Power	51pm	-2
125	Nil	28/8	15pm	12pm	Shaftesbury	15pm	

pm premium.

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	CALLS Sep	Oct	Dec	PUTS Sep	Oct	Dec
120	-	-	-	-	0.18	0.56
121	-	-	-	0.01	-	0.84
122	1.32	0.61	1.13	0.02	0.74	1.23
123	0.40	0.22	0.70	0.10	-	-
124	0.04	0.06	-	0.73	-	-

Est. vol. total, Calls 11,118 Puts 15,823. Previous day's open int., Calls 148,321 Puts 168,790.

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Sep	91.92	91.90	-0.20	92.00	91.86	3,096	7,173
Dec	-	90.08	-	-	-	-	1,370

EMS EUROPEAN CURRENCY UNIT RATES

Aug 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	160.671	-0.061	-1.00	2.64	7
Netherlands	2.15214	2.13310	-0.00216	-0.88	2.42	7
Belgium	39.3960	39.1877	-0.04	-0.53	2.05	4
Germany	1.91007	1.90269	-0.00192	-0.38	1.90	4
Austria	13.4383	13.3868	-0.0129	-0.38	1.88	3
Portugal	195.792	195.195	-0.062	-0.30	1.82	2
Ireland	0.792214	0.795673	+0.002345	0.44	1.07	-5
Denmark	7.28580	7.34858	-0.00987	0.86	0.63	-8
France	6.40606	6.50606	+0.0018	1.51	0.00	-13
NON ERM MEMBERS						
Greece	292.867	303.987	-0.012	3.80	-2.20	-
Italy	2106.15	1944.04	+1.59	-7.70	9.98	-
UK	0.786652	0.827429	+0.003476	5.18	-3.48	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75	● Members of London Investment Banking Association	
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75	* In administration	
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

UK GILTS PRICES

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Shorts" (Lives up to Five Years)						
Treas 8pc 1996	[illegible]	0.2	1,300	Mr16 Se16	7.3	1313
Conversion 10pc 1996	100⅞	-.1	3,409	My15 Nv15	3.5	1240
Treas 13¼pc 1997‡‡	103⅞	-.2	1,290	Jy22 Ja22	11.7	1302
Exch 10½pc 1997	102⅜	-	3,700	Ap21 Fe21	12.6	1253
Treas Cnv 7pc 1997‡‡	101⅛	-	1,988	Fe6 Au6	26.7	4401
Treas 8¾pc 1997‡‡	102⅞xd	[illegible]	[illegible]	Mr1 Se1	21.8	1341
Exch 15pc 1997	116¼	-1	830	Oc27 Oc27	18.4	1259
Exch 9¾pc 1998	104⅞	0.1	3,550	Jy19 Ja19	10.7	1273
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Treas 8½pc 2005‡‡	104⅞	-.5	8,900	Ja7 De7	29.5	4946
Treas 7½pc 2006‡‡	97⅞	-.6	8,000	Ja7 De7	29.5	1148
Treas 7¾pc 2006‡‡	99⅛	-.6	3,900	Mr8 Se8	28.2	2300
Treas 8pc 2002-6‡‡	100⅞	-.5	2,000	Ap5 Oc5	27.3	1334
Treas 11¾pc 2003-7	120⅜	-1	3,150	Jy22 Ja22	11.7	1293
Treas 8½pc 2007 ‡‡	104⅛	-.6	7,397	Ja16 Jy16	5.7	1339
Treas 13½pc 2004-8	133⅜	-1	1,250	Se26 Mr26	15.3	1301
Treas 9pc 2008 ‡‡	107⅞	-.6	5,621	Ap13 Oc13	2.4	1343
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes		Price £	Wk % +/-	Amnt £m	Interest due	Last xd	City line
Index-Linked (b)							
4⅝pc '98‡‡	(135.6)	113⅞	-	800	Ap27 Oc27	18.4	1796
2½pc '01	(78.3)	182⅞	-.1	1,850	Mr24 Se24	14.3	1316
2½pc '03	(78.8)	177⅞	-	1,800	My20 Nv20	9.5	1317
4⅜pc '04‡‡	(135.6)	118¼	-.1	1,150	Ap21 Oc21	11.4	1255
2pc '06	(69.5)	185⅞	-.1	2,100	Ja19 Jy19	10.7	1314
2½pc '09	(78.8)	165¼	-.1	2,200	My20 Nv20	9.5	1318
2½pc '11	(74.6)	172⅜xd	-.1	2,700	Fe23 Au23	14.8	1319
2½pc '13	(89.2)	141⅞	-.1	3,050	Fe16 Au16	7.8	1320
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Weekly percentage changes are calculated on a Friday to Friday basis.

STOCK INDICES

	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	—1996— High	Low	—Since comp.— High	Low
FT-SE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE Mid 250 ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE SmallCap ex Inv Tr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FT-SE-A All-Share	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	—1996— High	Low	—Since comp.— High	Low
FT-SE-A Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	31.14
FT-SE Eurotrack 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	800.45
FT-SE Eurotrack 200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	856.62
FT Ordinary	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	49.40
FT Govt Securities	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	49.18
FT Fixed Interest	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	50.53
FT Gold Mines	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	922.16

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US COMMODITIES PRICES

BASE METALS

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	92.10	+0.95	92.30	90.80	197	1,208
Sep	91.70	+1.05	92.30	90.45	2,473	13,548
Oct	91.00	+0.60	91.50	91.00	104	1,642
Nov	90.60	+0.45	91.20	90.73	13	1,327
Dec	90.00	+0.35	90.65	89.25	1,233	19,366
Jan	89.60	+0.20	89.70	89.50	1	977
Total					12,233	66,487

PRECIOUS METALS

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	388.3	+0.7	388.9	387.5	422	298
Oct	390.2	+0.6	390.5	389.2	417	11,251
Dec	393.2	+0.7	393.7	392.1	17,061	72,300
Feb	395.7	+0.8	395.7	394.5	78	12,368
Apr	398.1	+0.8	397.5	396.7	10	5,948
Jun	400.7	+0.8	401.4	401.4	13	11,888
Total					17,708	158,059

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	402.9	+1.0	404.5	401.9	1,055	18,481
Jan	405.1	+1.0	406.5	405.0	173	3,190
Apr	407.3	+0.8	[illegible]	406.5	154	2,957
Jul	409.8	+1.0	-	-	1	153
Oct	413.3	+1.0	-	-	6	2
Total					825	26,078

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	125.90	+0.90	125.75	125.25	812	3,494
Dec	127.00	+1.00	127.05	126.25	608	5,246
Mar	128.10	+1.00	-	-	2	117
Jun	129.15	+1.00	129.00	129.00	-	108
Total					888	9,143

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Aug	521.2	+5.1	-	-	2	13
Sep	522.0	+5.0	524.0	518.5	10,500	34,878
Dec	530.0	+5.0	532.0	526.5	6,833	39,368
Mar	537.8	+4.8	539.0	534.5	197	8,851
May	543.0	+4.9	-	-	1	5,313
Jul	547.8	+4.9	547.5	547.5	1	4,221
Total					22,480	98,789

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	21.85	-0.31	22.05	21.40	28,880	87,085
Nov	21.18	-0.29	21.48	20.98	4,750	38,573
Dec	20.89	-0.27	21.02	20.53	3,242	45,974
Jan	20.30	-0.23	20.55	20.18	963	29,933
Feb	19.95	-0.22	20.18	19.88	1,138	22,098
Mar	19.66	-0.17	19.75	19.60	600	13,189
Total					42,494	380,908

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	60.86	-1.14	62.15	60.30	10,211	20,845
Oct	61.00	-0.98	62.10	60.35	7,388	27,960
Nov	61.05	-0.88	61.90	60.80	2,835	14,125
Dec	61.15	-0.73	61.80	60.55	2,085	28,579
Jan	60.70	-0.83	61.35	60.30	6,299	13,495
Feb	59.10	-0.83	59.70	58.60	359	7,088
Total					25,880	125,880

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	1.885	-0.065	1.990	1.880	25,194	15,194
Oct	1.950	-0.073	2.080	1.945	31,382	31,382
Nov	2.080	-0.062	2.200	2.065	14,880	14,880
Dec	2.230	-0.041	2.300	2.220	14,920	14,920
Jan	2.265	+0.020	2.310	2.250	13,024	13,024
Feb	2.210	+0.026	2.245	2.190	7,262	7,282
Total					39,732	138,888

■ UNLEADED GASOLINE NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	61.40	-1.82	63.15	60.50	19,343	19,343
Oct	60.25	-1.51	61.75	59.70	21,075	21,075
Nov	59.00	-1.20	59.80	58.60	9,072	9,072
Dec	58.10	-0.85	58.80	57.75	4,839	4,839
Jan	57.40	-0.80	57.40	57.40	4,577	4,577
Feb	57.25	-	57.25	57.25	1,557	1,557
Total					13,867	68,249

GRAINS AND OIL SEEDS

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	452.75	+2.25	455.00	447.00	2,185	15,916
Dec	458.50	+2.25	460.50	453.25	5,972	38,522
Mar	455.75	+1.75	458.50	454.00	1,128	8,489
May	432.00	+2.06	434.00	430.00	10	334
Jul	399.00	+3.00	401.50	395.00	356	3,478
Dec	405.00	+3.50	400.00	399.00	-	88
Total					11,886	66,891

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Sep	365.50	-2.00	369.75	362.50	11,277	48,799
Dec	339.50	+1.00	340.00	336.00	32,737	179,992
Mar	346.50	+1.25	348.75	342.50	5,747	41,050
May	351.75	+1.50	352.00	348.50	2,229	13,835
Jul	351.50	+1.25	352.00	348.50	741	10,810
Sep	314.00	-	315.00	314.00	87	1,145
Total					42,840	296,372

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Aug	817.25	-8.75	834.00	813.00	331	140
Sep	803.25	-5.50	812.00	802.50	6,231	15,179
Nov	778.75	-8.50	786.00	778.00	33,210	118,666
Jan	785.00	-8.00	792.75	784.00	2,612	20,030
Mar	789.25	-8.25	796.00	788.50	1,438	12,728
May	788.00	-7.25	794.00	788.00	1,935	10,187
Total					33,888	186,316

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Aug	25.10	-	25.16	25.11	191	113
Sep	24.99	-0.09	25.17	24.89	5,082	15,008
Oct	25.11	-0.08	25.38	25.08	3,389	14,354
Dec	25.51	-0.07	25.79	25.51	6,282	34,088
Jan	25.76	-0.03	26.02	25.79	1,132	5,549
Mar	26.14	-0.01	26.35	26.13	1,215	4,867
Total					18,437	80,886

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Aug	283.9	+0.9	288.5	283.5	1,315	72
Sep	258.1	-1.0	259.7	257.8	7,886	21,843
Oct	251.2	-1.8	253.2	250.5	4,672	12,019
Dec	247.2	-1.4	248.8	246.9	8,009	32,237
Jan	245.8	-1.2	247.5	245.2	2,108	8,784
Mar	244.5	-	245.0	243.5	1,184	5,193
Total					17,380	85,225

SOFTS

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1350	-16	1368	1349	75	388
Dec	1387	-19	1405	1380	5,480	31,228
Mar	1423	-21	1436	1422	932	18,753
May	1444	-21	1458	1440	471	7,516
Jul	1459	-21	1468	1460	14	5,937
Sep	1472	-18	1472	1472	88	5,319
Total					6,201	75,988

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Aug 23		
Daily	1050.55	1086.47

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Sep	132.25	+1.15	132.75	129.50	1,448	2,137
Dec	122.55	+1.75	123.00	118.10	10,471	16,867
Mar	116.05	+1.35	116.25	112.25	2,850	4,535
May	115.00	+1.40	115.00	112.00	778	1,767
Jul	114.55	+2.10	113.25	112.00	55	486
Sep	113.00	+0.55	113.00	112.30	17	185
Total					8,804	26,008

■ COFFEE (ICO) (US cents/pound)

	Price	Prev. day
Aug 23		
Comp. daily	107.08	105.08
15 day average	101.33	101.17

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	11.85	-	11.87	11.79	4,988	68,841
Mar	11.48	+0.01	11.47	11.41	2,403	46,833
May	11.24	-	11.26	11.20	1,606	17,836
Jul	10.85	+0.02	10.88	10.82	1,016	13,005
Oct	10.69	+0.06	10.72	10.63	131	7,888
Mar	10.51	+0.06	10.48	10.45	16	788
Total					8,879	135,384

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	74.30	+1.37	74.80	73.35	426	8,934
Dec	74.85	+1.50	75.00	73.80	2,878	29,133
Mar	76.08	+1.40	77.00	75.05	216	7,818
May	76.75	+1.25	77.10	76.80	113	4,182
Jul	77.59	-	77.80	77.00	113	4,527
Oct	78.90	-	78.50	78.20	21	1,055
Total					14,335	86,888

Softs continued

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Sep	123.25	+2.15	123.85	120.80	738	4,978
Nov	118.40	+2.75	119.00	115.40	829	6,918
Jan	117.30	+2.75	118.00	115.00	158	5,083
Mar	118.75	+3.50	118.75	115.75	60	1,381
May	119.00	+2.50	119.00	118.50	44	350
Jul	119.85	+1.95	118.00	118.00	215	191
Total					4,208	18,481

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open int
Oct	71.175	+0.175	71.600	70.800	3,823	42,003
Dec	67.300	+0.475	67.400	66.950	2,061	22,015
Feb	65.325	-	65.600	65.125	911	14,092
Apr	66.800	-0.05	66.950	66.500	372	5,034
Jun	64.775	-0.05	65.000	64.650	87	2,588
Aug	65.000	-0.075	65.280	65.000	31	2,875
Total					7,843	88,630

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	54.850	+0.275	55.075	54.300	2,801	13,431
Dec	54.525	-0.075	55.400	54.380	1,477	10,535
Feb	75.050	+0.2	75.900	75.400	251	3,427
Apr	73.500	-	73.800	73.450	[illegible]	1,450
Jun	78.150	+0.2	78.300	78.000	34	1,367
Jul	75.700	+0.275	75.550	75.500	27	270
Total					5,084	30,717

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Aug	90.525	-2	94.525	90.525	282	206
Feb	83.250	-1.975	87.225	83.225	1,678	4,378
Mar	83.200	-1.55	86.750	83.150	103	839
May	82.175	-0.825	84.800	82.200	56	310
Jul	82.100	-1.4	85.500	82.000	4	48
Aug	79.400	-0.05	79.400	79.400	11	18
Total					2,114	5,800
Mar- [illegible]						

Some of the above prices were not updated for this edition due to technical difficulties.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, August 26, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7395.75	4750.00	3213.15	4413.27
Albania	(Lek)	170.492	109.500	74.0718	101.737
Algeria	(Dinar)	85.8369	55.1297	37.2928	51.2216
Andorra	(French Fr)	7.8630	[illegible]	3.4162	4.6921
	(Sp Peseta)	194.508	124.925	84.5059	116.069
Angola	(Readj Kwanza)(1)	49487.7	[illegible]	21500.4	29530.6
Greece	(Drachma)	367.732	236.180	159.765	219.437
Greenland	(Danish Krone)	8.8902	5.70982	3.8624	5.3050
Grenada	(E Carib $)	4.2039	2.7000	1.8264	2.5086
Guadeloupe	(Local Fr)	7.8630	[illegible]	[illegible]	[illegible]
Guam	(US $)	1.5570	[illegible]	[illegible]	[illegible]
Guatemala	(Quetzal)	9.4874	[illegible]	[illegible]	[illegible]
Oman	(Rial Omani)	0.5995	0.3851	0.2605	0.3578
Pakistan	(Pak. Rupee)	55.2640	35.4945	24.0103	32.9793
Panama	(Balboa)	1.5570	1	0.6765	0.9291

[illegible]

The Financial Times plans to publish a Survey on

UK Business Property

on Friday, September 13.

Areas of concern centre around the investment market, user requirements, Privity of contract and an analysis of the Competition between the City & Docklands to attract occupiers.

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FT Surveys

THE PAKISTAN FUND

(An exempted company incorporated in the Cayman Islands with limited liability)

1996 FINAL RESULTS

(Audited)

CHAIRMAN'S STATEMENT

Over the year 1st July 1995 to 30th June 1996, the net asset value of The Pakistan Fund declined by 7.98% to US$5.65 whereas the Karachi Stock Exchange Index fell by 6.65% in US dollar terms. The Fund's performance was adversely affected by a number of illiquid stocks in the portfolio, the prices of which were marked down considerably. However, the Fund's strategy of concentrating on large capitalisation blue chip stocks in the fuel & energy, fertiliser and telecommunications sectors was correct as these stocks continued to outperform.

During the Fund's fiscal year, the Pakistan Rupee depreciated further against the US dollar by 13.2% and is expected to continue to remain under pressure.

With a marked decline in the number of strikes and reported killings, the law and order situation in Karachi significantly improved during the first six months of 1996. However, the austere federal budget announced last June disappointed investors and the stock market was sharply impacted accordingly. Furthermore, the anticipated corporate tax cut did not materialise and due to concerns over cost pressures, corporate earnings for 1996 were downgraded. Nevertheless, the market appears to have discounted most of the bad news. The portfolio will continue to be focused on major sectors including fuel & energy, fertiliser and telecommunications the earnings of which are expected to remain largely resilient.

M.S. Wells
Chairman

23rd August 1996

FINANCIAL HIGHLIGHTS	30/6/96 US$	30/6/95 US$
Net Asset Value	19,673,495	24,510,040
Net Asset Value per share	5.65	6.14
REVENUE ACCOUNT	**Year ended 30/6/96 US$**	**Year ended 30/6/95 US$**
Income		
Dividend income	459,054	378,322
Interest on deposits	12,491	33,467
Subscription/repurchase charges	27,444	99,510
	498,989	511,299
Less: withholding tax	64,758	56,747
	434,231	454,552
Expenses	550,817	862,419
Loss for the year before equalisation	116,566	407,867
Equalisation on issue/repurchase of shares	11,749	102,107
Net loss for the year	128,315	305,760
Loss per share	0.04	0.08

LOSS PER SHARE

The calculation of loss per ordinary share is based on the loss for the year of US$ 128,315 (1995: US$305,760) and 3,721,895 (1995: 4,067,271) ordinary shares in issue during the year calculated on the weighted average basis.

DIVIDEND

The Board of Directors does not recommend the payment of a final dividend (1995: nil).

TAXATION

The company is incorporated in the Cayman Islands. Under the taxation laws presently in force in the Cayman Islands, no local taxes will be chargeable on any income, profits or capital gains of the company.

DIRECTORS' INTERESTS

At 30th June 1996 Sajjad Razvi had a beneficial interest in 2,000 shares of the company. Apart from the foregoing, none of the other Directors had an interest, either beneficially or non-beneficially, in the share capital of the company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year, the company issued and repurchased its own shares, pursuant to the mandate given by shareholders at the Extraordinary General Meeting held on 27th October 1994, as follows:

	Number of shares	Highest price US$	Lowest price US$
Subscriptions	94,886	5.91	5.42
Repurchases	602,596	6.54	4.98

No pre-emptive rights exist under Cayman Islands law in relation to issues of new listed securities by the company.

DISTRIBUTOR STATUS

The company was certified as a distributing fund for the purposes of Chapter V of Part XVII of the Income and Corporation Taxes Act 1988 in respect of the period 21st May 1991 (date of incorporation) to 30th June 1995. It is intended that an application will be submitted to the UK Inland Revenue for certification in respect of the year ended 30th June 1996.

CODE OF BEST PRACTICE

In the opinion of the Directors, the company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited throughout the year ended 30th June 1996, except that the independent non-executive directors are subject to retirement by rotation and re-election at the Annual General Meeting of the company in accordance with the provisions of the company's Articles of Association.

By order of the Board
MEESPIERSON (CAYMAN) LIMITED
Secretary

A copy of the annual report and any further information is available from the Assistant Secretary, MeesPierson Fund Services (Asia) Limited, 33/F Asia Pacific Finance Tower, Citibank Plaza, 3 Garden Road Central, Hong Kong. Contact Mr R.G.Macpherson on 2847-9511.

NOTICE OF ANNUAL GENERAL MEETING

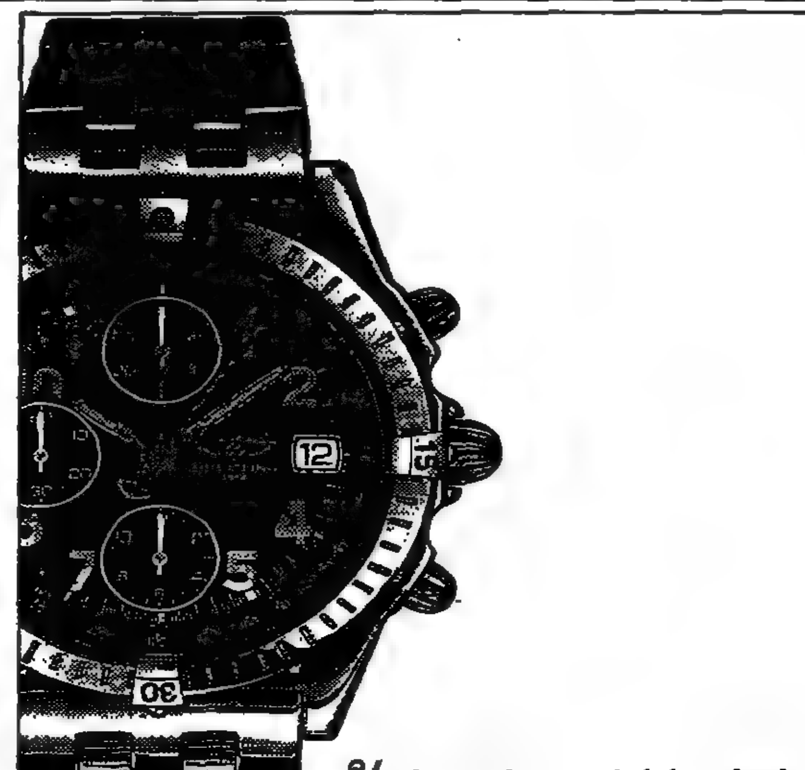
NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders of The Pakistan Fund (the "Company") will be held at British American Centre, Phase 3, Dr Roy's Drive, Grand Cayman, Cayman Islands, British West Indies on 31st October 1996 at 10.00am when the following ordinary business will be transacted:

1. To receive and consider the financial statements of the Company and the reports of the Directors and the Auditors for the year ended 30 June 1996.
2. To resolve that no final dividend be declared.
3. To re-elect Mr Tan Keng Hock and M. Younus Khan as Directors.
4. To appoint Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
5. To transact any other business which may be properly transacted at an annual general meeting.

By order of the Board
MEESPIERSON (CAYMAN) LIMITED
Secretary
Dated: 23rd August 1996

Registered Office: P.O. Box 2003, British American Centre, Phase 3, Dr Roy's Drive, Grand Cayman, Cayman Islands, British West Indies

Notes:
(1) Proxy forms may be deposited at MeesPierson (Cayman) Limited, c/o MeesPierson Fund Services (Asia) Limited of 33/F Asia Pacific Finance Tower, Citibank Plaza, 3 Garden Road Central, Hong Kong, no later than 48 hours before the time specified above for the holding of the meeting.
(2) Proxies need not be members of the Company.
(3) No Director of the Company has a contract of service with the Company.



Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 26 / Sch)

BELGIUM/LUXEMBOURG (Aug 26 / Frs.)

CZECH REP (Aug 26 / Korunas)

DENMARK (Aug 26 / Kr)

FINLAND (Aug 26 / Mks)

FRANCE (Aug 26 / Frs.)

GERMANY (Aug 26 / Dm.)

GREECE (Aug 26 / Drachmae)

ITALY (Aug 26 / Lire)

NETHERLANDS (Aug 26 / Fls.)

NORWAY (Aug 26 / Kroner)

POLAND (Aug 26 / Zloty)

PORTUGAL (Aug 26 / Escudo)

SPAIN (Aug 26 / Pts.)

SWEDEN (Aug 26 / Kronor)

SWITZERLAND (Aug 26 / Frs.)

TURKEY (Aug 26 / Tk Lira)

PACIFIC

JAPAN (Aug 26 / Yen)

AUSTRALIA (Aug 26 / Aus$)

HONG KONG (Aug 23 / H.K.$)

INDONESIA (Aug 26 / Rupiah)

MALAYSIA (Aug 26 / MYR)

NEW ZEALAND (Aug 26 / NZ $)

SINGAPORE (Aug 26 / S$)

SOUTH KOREA (Aug 26 / Won)

TAIWAN (Aug 26 / TW $)

THAILAND (Aug 26 / Baht)

NORTH AMERICA

CANADA

TORONTO (Aug 26 / Can $) 4 pm close

MONTREAL (Aug 26 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Aug 26 / Rand)

INDICES

	Aug 26	Aug 23	Aug 22	1996 High	1996 Low
Argentina					
General(29/12/77)	(c)	19435.40	19297.25	19991.56 20/6	16287.25 22/6
Australia					
All Ordinaries(1/1/80)	2262.1	2292.8	2274.6	2326.00 26/4	2098.10 17/7
All Mining(1/1/80)	1022.2	1026.8	1018.6	1116.40 8/5	934.90 16/7
Austria					
Credit Aktien(30/12/84)	351.37	353.58	349.72	384.99 31/5	348.65 22/7
Traded Index(2/1/91)	1028.58	1033.97	1025.82	1142.51 29/5	875.27 2/1
Belgium					
BEL20(1/1/91)	1780.02	1767.53	1760.65	1778.28 26/6	1574.80 2/1
Brazil					
Bovespa(29/12/83)	(c)	62087.0	62469.0	66602.00 12/7	46801.00 2/1
Canada					
Metals & Minls(1975)	(c)	5352.29	5323.48	5924.60 8/5	4687.47 16/1
Composite(1975)	(c)	5183.00	5182.10	5246.40 31/5	4738.70 15/1
Portfolio(4/1/83)	(c)	2533.14	2530.12	2595.65 27/5	2327.39 10/1
Chile					
IGPA Gen(31/12/80)	(c)	5365.80	5380.62	5904.33 8/1	4818.39 8/4
Denmark					
CopenhagenSE(3/1/83)	423.23	423.41	423.40	425.41 23/8	366.40 2/1
Finland					
HEX General(28/12/90)	2131.31	2127.09	2118.41	2131.31 26/8	1651.67 10/1
France					
SBF 250(31/12/90)	1376.44	1376.09	1373.80	1457.55 6/6	1258.18 2/1
CAC 40(31/12/87)	2020.42	2020.82	2017.78	2146.79 30/4	1897.88 11/1
Germany					
FAZ Aktien(31/12/58)	896.17	899.00	893.68	911.74 5/7	818.56 2/1
Commerzbank(1/12/53)	2604.3	2615.10	2599.1	2627.80 5/7	2370.10 2/1
DAX(30/12/87)	2552.36	2555.16	2557.26	2583.49 5/7	2284.86 2/1
Greece					
Athens SE(31/12/80)	948.58	940.85	923.63	1017.86 4/3	872.98 7/8
Hong Kong					
Hang Seng(31/7/64)	(c)	11424.64	11478.77	11594.99 19/2	10204.87 2/1
India					
BSE Sens.(1979)	3433.55	3431.40	3398.60	4069.26 18/6	2826.06 25/1
Indonesia					
Jakarta Comp.(10/8/82)	552.74	549.21	544.26	630.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2523.32	2532.25	2517.60	2593.19 18/6	2234.61 2/1
Italy					
Banca Comm Ital(1972)	602.82	608.48	608.13	674.10 20/5	572.21 27/3
MIB General(2/1/96)	1022.0	1031.0	1027.0	1142.00 20/5	970.00 27/3
Japan					
Nikkei 225(16/5/49)	20893.74	21228.80	21393.24	22666.80 26/6	19734.70 13/3
Nikkei 300(1/10/82)	294.49	299.18	300.46	319.70 25/6	284.49 11/3
Topix(4/1/68)	1582.87	1607.30	1613.95	1722.13 26/6	1524.12 13/3
2nd Section(4/1/68)	2114.30	2124.46	2118.34	2361.48 2/7	1982.76 14/3
Malaysia					
KLSE Comp.(4/4/86)	1118.37	1119.49	1120.76	1160.84 30/4	983.18 2/1
Mexico					
IPC(Nov 1978)	(c)	3264.37	3288.33	3412.57 21/6	2736.30 8/3
Netherland					
CBS TtlRtnGen(End 83)	636.4	640.4	643.9	662.80 12/8	538.50 2/1
CBS All Shr(End 83)	376.4	379.2	381.3	387.10 12/8	328.78 2/1
New Zealand					
Cap. 40(1/7/86)	2219.87	2222.69	2189.53	2222.69 23/8	2026.14 7/6
Norway					
Oslo SE(Ind)(2/1/83)	1371.95	1377.78	1377.40	1409.71 12/8	1220.69 30/1
Philippines					
Manila Comp(2/1/85)	3210.30	3228.49	3187.78	3374.40 8/7	2878.87 2/1
Portugal					
BNL 30(4/1/93)	1998.35	1994.17	1949.46	1998.29 3/7	1802.81 2/1
Singapore					
SES All-S'pore(2/4/75)	538.34	542.05	538.28	610.37 5/2	522.18 30/7
South Africa					
JSE Gold(28/9/78)	1759.1¶	1740.2	1703.8	2030.40 29/3	1346.49 2/1
JSE Indl.(28/9/78)	7724.3¶	7733.6	7681.5	8738.30 25/1	7682.40 21/8
South Korea					
KoreaCompEx"(4/1/80)	768.95	781.42	779.83	986.84 7/5	768.95 26/8
Spain					
Madrid SE(30/12/85)	355.31	357.45	356.85	375.28 1/7	323.75 11/1
Sweden					
AffarsvarldsGen(1/2/37)	1993.8	1992.0	1988.8	2019.60 8/8	1706.60 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1772.21	1776.51	1774.33	1811.66 11/7	1616.19 17/1
SBC General(1/4/87)	1250.11	1253.77	1250.79	1284.96 11/7	1114.47 26/1
Taiwan					
Weighted Pr."(30/6/66)	6200.46	6200.22	6160.82	6980.41 29/6	4698.22 6/2
Thailand					
Bangkok SET(30/4/75)	1095.44	1108.73	1090.71	1415.04 6/2	1064.94 31/7
Turkey					
Istanbul Comp.(Jan 1986)	64666.5	64982.2	64178.7	73531.30 8/7	38779.30 2/1
WORLD					
MS Capital Intl(1/1/70)	772.6*	774.5	775.2	783.20 1/7	725.80 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	(c)	1685.71	1683.11	1708.78 4/7	1504.49 11/1
Euro Top-100(26/6/90)	1426.03	1431.16	1430.43	1458.28 26/4	1333.01 11/1
HSBC JC Drgn(31/12/88)	(c)	(c)	377.30	383.16 18/4	344.19 2/1
ING Brngs Emrg(7/1/93)	(c)	158.18	157.56	166.91 4/7	147.35 2/1

US INDICES

Dow Jones	Aug 23	Aug 22	Aug 21	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5722.74	5733.47	5689.82	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	102.24	102.32	102.60	106.08 (14/2)	100.99 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2081.80	2071.88	2077.88	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	12.32 (8/7/32)
Utilities	217.16	217.38	218.80	234.80 (12/2)	204.88 (30/7)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5761.56 (5761.96) Low 5679.08 (5682.45) (Theoretical‡)
Day's high 5722.74 (5733.47) Low 5738.28 (5684.27) (Actual‡)

Standard and Poors	Aug 23	Aug 22	Aug 21	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	667.03	670.68	665.07	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials¶	787.48	791.16	784.32	807.88 (5/6)	702.07 (18/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	69.87	70.68	70.09	70.68 (22/8)	58.67 (10/1)	70.68 (22/8/96)	8.64 (1/10/74)
NYSE Comp.	357.23	358.72	356.11	383.74 (24/5)	321.41 (10/1)	383.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	580.94	580.32	557.68	614.99 (22/5)	525.60 (16/7)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1143.06	1143.96†	1126.84	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

■ RATIOS

	Aug 16	Aug 9	Aug 2	Year ago
Dow Jones Ind. Div. Yield	2.18	2.21	2.20	2.48
	Aug 21	Aug 14	Aug 7	Year ago
S & P Ind. Div. yield	2.02	2.04	2.03	2.07
S & P Ind. P/E ratio	21.74	22.04	21.16	18.68

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Bay Netwk	7,395,700	27⅛	+1⅞
Zenith	5,004,200	14⅝	−2
Philip Morris	4,182,500	87⅞	+1
ADT Ltd	3,900,200	19⅛	+½
RJ Nabisco	3,884,200	25⅝	+½
PepsiCo	3,258,200	31⅝	...
AT&T	2,937,900	54⅜	+⅜
Enersis SA	2,754,000	31½	−⅝
AnnTaylor	2,388,500	14⅝	−1
Circus Circs	2,388,200	32⅝	+1¼

■ TRADING ACTIVITY

● Volume (millions)	Aug 23	Aug 22	Aug 21
New York SE	308.010	354.492	348.737
Amex	15.698	17.250	18.328
NASDAQ	446.264	508.286	427.418
NYSE			
Issues Traded	3,175	3,176	3,196
Rises	1,002	1,482	1,052
Falls	1,276	858	1,231
Unchanged	897	836	913
New Highs	72	108	91
New Lows	18	25	33

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
■ CAC-40 (200 x Index)							
Aug	2015.0	2019.5	−5.0	2026.0	2013.0	8,406	23,693
Sep	2020.0	2024.5	+8.5	2031.0	2019.0	2,689	23,008
■ DAX							
Sep	2552.5	2560.0	−3.0	2566.0	2552.5	7,862	-
Dec	2570.0	2578.0	−3.0	2579.0	2570.0	187	-
■ OMX							
Jul	1550.00	1559.00	+2.00	1559.50	1550.00	1,669	21,254
Aug	1564.00	1564.00	+20.00	1564.25	1564.00	30	1,080
■ SOFFEX							
Sep	3719.9	3718.8	−12.9	3729.5	3714.0	2,028	25,568
Oct	3722.0	3725.3	+12.0	3722.0	3722.0	59	565

	Open	Latest	Change	High	Low	Est. vol.	Open int.
■ S&P 500							
Sep	669.00	664.75	−4.05	669.00	663.75	50,548	171,300
Dec	672.80	670.70	−4.10	673.15	668.95	1,378	15,678

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
■ Nikkei 225							
Sep	21180.0	20910.0	−300.0	21170.0	20900.0	23,626	229,111
Dec	21220.0	20940.0	−340.0	21220.0	20920.0	10,747	56,904

Open interest figures for previous day.

"" Sat Aug 24: Taiwan Weighted Price 6190.58; Korea Comp Ex 782.13. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ✦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours Index: Aug 26 - 2554.42 −7.70.

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ‡ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ¶ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Monday August 26, 1996

	Stocks Traded	Closing Prices	Change on day
Kawasaki Hvy Ind	9.3m	518	−13
Green Cross	4.6m	417	−39
NKK	4.3m	291	−9
Nippon Steel	3.8m	346	−13
TYK Corp	3.7m	1420	+50
Nichiboshin	3.2m	540	−30
Honda Motor	2.3m	2550	+10
Sumitomo Mtl	2.3m	313	−13
Hitachi	2.0m	1000	−10
Mitsui Matsushima	1.8m	[illegible]	−13

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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FT GUIDE TO THE WEEK

MONDAY 5

Korean presidents' trial

The trial for sedition of South Korean presidents Chun Doo-hwan and Roh Tae-woo is scheduled to end. Prosecutors are expected to ask for the death penalty, although this is thought an unlikely outcome when the court announces the sentence in mid-August. The two former presidents and 14 other defendants are on trial for conducting a 1979 army coup and ordering the bloody suppression of a 1980 pro-democracy demonstration in the south-west city of Kwangju.

Sao Paulo curbs car use

Brazilian motorists in traffic-logged Sao Paulo, the largest and most polluted city in South America, must leave their cars at home one day a week from today until the end of the month. Cars will be grounded for one working day in five according to the final number on their licence plates. The move has upset some residents, who face a fine of R$100 (US$99) for non-compliance.

Retuning for 10m videos

Work starts on retuning nearly 10m videos and television sets in the UK, in preparation for the launch of Channel 5, the terrestrial television channel, on January 1. The company is to employ 7,000 engineers and estimates the cost of retuning will be £55m. Channel 5 is backed by a consortium including Pearson (owner of the Financial Times) and United News & Media.

Bosnian poll deadline

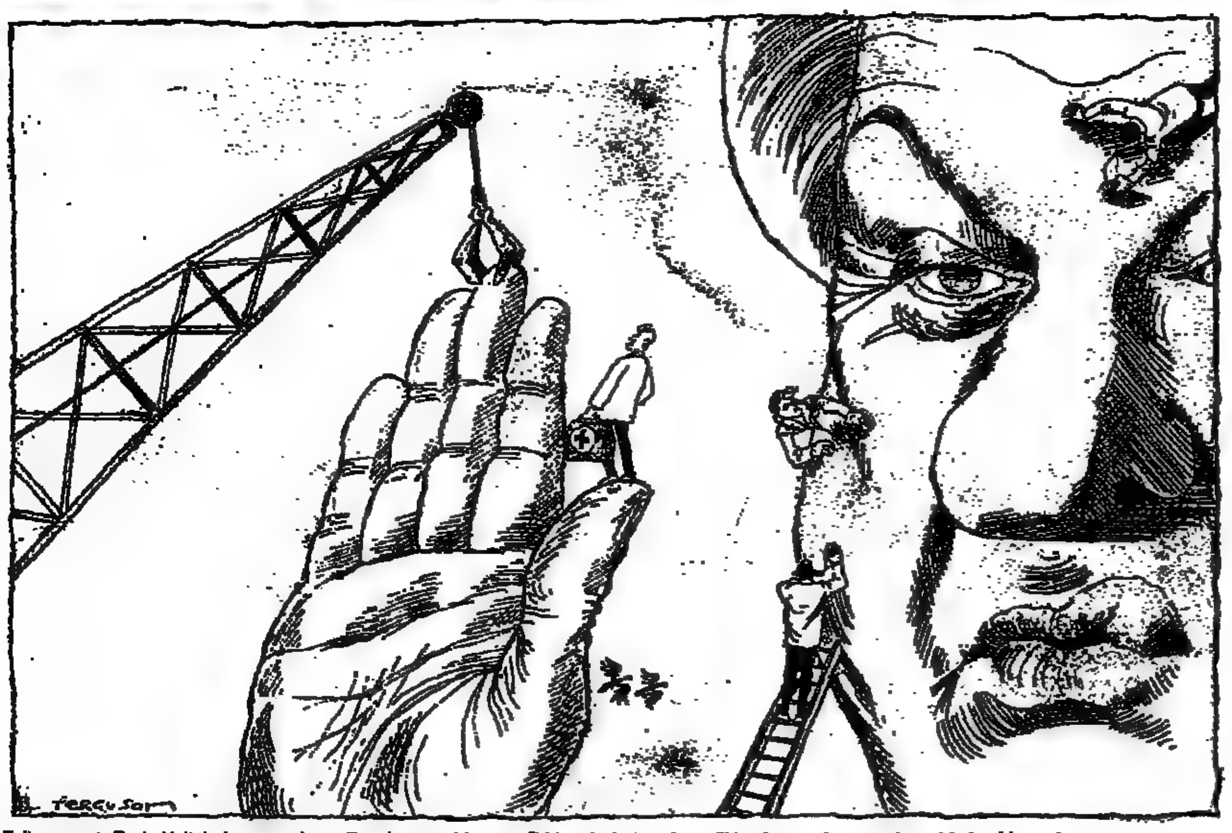
Electoral registration closes for Bosnians living outside the former Yugoslav republic who intend to vote in the September elections. The Organisation for Security and Co-operation in Europe, which is organising the poll, extended the deadline in order to allow as many Bosnian refugees as possible the chance to register. With 1.4m of the country's 3.2m voters living abroad, the election is seen as a chance to help reunify Bosnia after four years of war.

Building society subsumed

After 150 years of northern thrift, National & Provincial, until today the UK's seventh-largest building society, disappears as a brand as it is formally subsumed into Abbey National, the bank which took over the society for £1.35bn. The N&P name will be replaced with the Abbey banner on 200 branches.

Public holidays

Australia (New South Wales and Northern Territory), Bangladesh, Canada (except Quebec), El Salvador, Irish Republic, Scotland, Bahamas, Barbados, British Virgin Islands, Dominica, Jamaica, Grenada, Zambia, Iceland.



Full support: Boris Yeltsin is sworn in as Russian president on Friday, but attention will be focused as much on his health as the pomp

TUESDAY 6

Buenos Aires gains mayor

Fernando de la Rúa, a member of Argentina's Radical party, takes over as the first elected mayor of Buenos Aires after his resounding victory in May elections over the Peronist party, which governs at national level. Mr de la Rúa, who may use the post to launch a presidential bid in 1999, inherits a wealthy city, but one plagued by corruption and mismanagement. Previous mayors were appointed by the president.

Japan bomb anniversary

In the week of the 51st anniversary of the dropping of atomic bombs on Hiroshima and Nagasaki, the Japanese mark the occasion with traditional solemnity. Mr Ryutaro Hashimoto, the prime minister, is to attend services in Hiroshima today and in Nagasaki on Friday. Two rival anti-nuclear groups hold their annual World Ban the Bomb conventions in the two cities. The Communist-backed Japan Council against A and H Bombs and the Socialist-aligned Japan Congress against A and H Bombs split in the 1960s over differing attitudes towards the Soviet Union's atomic bomb tests.

Olympic show in Athens

Athens stages an extravagant official welcome for Greece's eight Olympic medallists at Atlanta. The country is celebrating its best performance in the Olympics with an event which will conveniently help Athens advertise its attempt to stage the games in 2004. A torch-lit ceremony will be held at the marble stadium where the first modern games were held in 1896.

UK water company in court

The UK Department of the Environment takes South West Water, one of the UK's nine privatised water and sewerage companies, to court for the alleged contamination of its water supplies. The case stems from an incident last year when 575 people in south Devon experienced stomach upsets caused by an outbreak of cryptosporidiosis.

Rowing

World championships, Strathclyde, Scotland (to Aug 11).

Equestrianism

Dublin Horse Show, Ireland (to Aug 11).

Public holidays

El Salvador, Bolivia, Grenada, United Arab Emirates, British Virgin Islands.

WEDNESDAY 7

Gambia democracy vote

Gambians vote on a new constitution to prepare for the return of democratic rule. Captain Yaya Jameh, who leads the country's military regime, has promised to lift a ban on political parties following the poll in order to prepare for a presidential election on September 11. However, he has warned political aspirants they will be "executed" if they cause trouble in the run-up to the presidential vote. The Commonwealth says it expects the reforms to lead to democracy by the end of the year. Gambia has been under military rule since July 1994.

Communists reorganise

Russia's Communists are holding a congress in Moscow to remodel themselves as a coalition of communist and nationalist forces, following their candidate's loss in the presidential election last month. The organisation is expected to form a broad-based opposition to President Boris Yeltsin, and intends to participate in local authority elections later this year.

UK inflation report

The Bank of England publishes its quarterly report on the outlook for UK inflation. Eddie George, the governor of the Bank, disagreed with the chancellor's decision to cut interest rates to 5.75 per cent on June 5, so analysts will be keen to see how concerned the Bank is now that inflation is set to run above target in two years. The report will also be scrutinised for hints about the Bank's views on the Budget in November, after a warning from the International Monetary Fund that there was no scope for tax cuts.

Public holidays

Colombia, Ivory Coast, British Virgin Islands, St Lucia, Western Samoa.

THURSDAY 8

Argentine strike called

The CGT trades union congress is calling a general strike to protest against measures aimed at cutting workers' pay, through ending tax exemption on luncheon and supermarket vouchers and trimming wage supplements. Domingo Cavallo, the economy minister who proposed the measures, has since been sacked, but Roque Fernández, his successor, has vowed to push through the measures. The governing Peronist party has been working behind the scenes to stop the strike but, short of scrapping the controversial measures, is thought to have little chance of success.

Cricket

Second Test, England v Pakistan, Headingley, Leeds (to Aug 12).

Golf

US PGA championship, Louisville, Kentucky (to Aug 11).

Public holidays

Iraq, Tanzania.

FRIDAY 9

Yeltsin inauguration

In the first ceremony of its kind, Boris Yeltsin is to be inaugurated as president of Russia after his decisive victory in elections last month. Senior foreign dignitaries and the presidents of most of the Commonwealth of Independent States will watch Mr Yeltsin sworn in for a four-year term. But all eyes will be looking for signs to gauge the health of Mr Yeltsin, who has not been seen in public since the elections. The ceremony is expected to be a lavish affair with a new anthem composed for the occasion.

Public holidays

Singapore, South Africa, Ecuador.

SATURDAY 10

Ulster Protestants march

Northern Ireland faces further sectarian clashes when local Catholic nationalists seek to oppose a Protestant march by the Apprentice Boys in Londonderry, marking the siege of the city by the Catholic forces of King James II in the 17th century. Local politicians and churchmen have attempted to mediate a compromise, to avoid the ugly scenes last month when a police decision to allow a Protestant Orange march through a Catholic area resulted in province-wide rioting.

New president for Ecuador

Abdala Bucaram takes office as Ecuador's president after his surprising eight-point victory in the July 7 election. The 44-year-old populist ran a virulent campaign, with attacks on the concentration of political and economic power, promises of more houses, basic services, health and education, and a continued role for the state as employer. His platform won him the support of poorer voters, but unnerved businessmen and foreign investors. These have since been reassured by signs of continuity with the economic policy and personnel of the outgoing government, which had slowed annual inflation from 55 per cent to 23 per cent.

Athletics

IAAF grand prix meeting, Monte Carlo.

SUNDAY 11

Perot seeks nomination

Ross Perot, the Texan billionaire, and Richard Lamm, the former Colorado state governor, seek the nomination of the Reform party as US presidential contender. The two candidates put their case to a convention in Long Beach, California, after which voting takes place by a postal ballot of the party's 1.3m members. The result is expected to be announced at a second convention on August 18.

Edinburgh festival opens

The 50th Edinburgh International Festival opens. Among the artists appearing over the next three weeks are the Mark Morris and Pina Bausch dance companies and the Russian National Orchestra. In the theatre programme there are new productions by Robert Wilson. Edinburgh also plays host to the Fringe – with more than 9,000 performers in 14,000 productions – a film festival and a television festival.

Mugabe marks Heroes' day

Robert Mugabe, the president of Zimbabwe, marks Heroes' day with his customary address. Surrounded by giant bronze statues and panels, Mr Mugabe has previously used the occasion to launch attacks on whoever is unpopular with the ruling party. Last year he denounced homosexuals as "lower than dogs and pigs" and is expected to return to the issue following a ban on gay-rights organisations last month.

Athletics

Bupa international meeting, Sheffield, England.

Motor racing

Hungarian grand prix, Budapest.

Public holiday

Zimbabwe.

Compiled by Nick Mayhew-Smith. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Monday: UK factory output is thought to have risen in June, having stagnated during May as companies shed stocks of unsold goods. Inflation in Italy is thought to have edged down a little last month.

Tuesday: Unemployment in western Germany is forecast to have risen a little faster last month than it did in June. Growth in Canadian labour income is believed to have slowed in May.

Wednesday: Annual growth in US consumer credit is expected to have decelerated in June, with credit card use remaining under downward pressure. Retail sales growth in the Netherlands is thought to have slowed in June.

Thursday: The board of the *Swedish Rikshank* meets. The unemployment rate in Australia is thought to have risen last month, with the same true of Denmark in June. Mexico's trade surplus should meanwhile have risen in June.

Friday: US producer price inflation is forecast to have continued accelerating in July. Unemployment is thought to have been stable in Switzerland.

Statistics to be released this week

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Jun industrial production*	0.1%	0.6%
Aug 1	UK	Jun industrial production**	1.8%	1.3%
	UK	Jun manufacturing output*	0.3%	0.0%
	UK	Jun manufacturing output**	0.1%	0.0%
	UK	Jul M0*	0.6%	0.9%
	UK	Jul M0**	7.0%	7.3%
	US	Jun leading indicators	0.39%	0.3%
	US	June home completions	1.36m	1.37m
Tues	Germany	Jul unemployment (West)†	4.5k	7k
Aug 6	Germany	Jul unemployment (East)†	-1k	-3k
	Germany	Jul unemployment (pan Ger)†	6k	3k
	Germany	May employment (West)†	8k	12k
	Germany	Jul vacancies (West)†		3k
	Germany	Jul short time (West) not†		-8k
Wed	Denmark	May trade balance ex-shipments not†	Dkr2.3bn	Dkr1.9bn
Aug 7	Denmark	May current account	Dkr-0.5bn	Dkr1.0bn
	US	Jun wholesale trade		unch
	US	Jun consumer credit	$6.0bn	$4.7bn
	Japan	Jun current account IMF not†	Y895bn	Y902bn
	Japan	Jun trade balance IMF not†		Y1,155bn
	Japan	June foreign bond investment		Y971bn
Thurs	Denmark	Jun unemployment	8.9%	8.8%
Aug 9	US	M1 week ended July 29	$6.0bn	$5.4bn
	US	M2 week ended July 29	$8.5bn	$6.7bn
	US	M3 week ended July 29	$7.5bn	$7.0bn

Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Fri	Japan	Jul overall wholesale price index*	0.1%	0.0%
Aug 9	Japan	Jul overall wholesale price index**	1.3%	1.4%
	Japan	Jul domestic wholesale price index**		-1.0%
	Japan	Jul machinery orders ex elect & ships*	10.8%	18.9%
	Japan	Jul machinery orders ex elect & ships*	-2.7%	-5.2%
	Switz	Jul unemployment rate	4.4%	4.4%
	Canada	Jul employment †*		-0.4%
	Canada	Jul unemployment rate		10.0%
	US	Jul producer price index	0.2%	0.2%
	US	Jul prod price ind ex food and energy	0.2%	0.2%
	Canada	Jul housing starts, units		134k
	US	Jul bank credit		1.6%
	US	Jul C and I loans		4.4%
During the week...				
	Germany	Jun retail sales**	-1.0%	-3.0%
	Germany	Jun retail sales*†	0.0%	-1.0%
	Germany	Jun manufacturing orders (pan Ger)*	-0.3%	-0.7%R
	Spain	Jul registered unemployment		14.2%
	Germany	Jul final cost of living (West)*		0.1%
	Germany	Jul final cost of living (West)**		1.2%
	Germany	Jul final cost of living (pan Ger)*	0.4%	0.1%
	Germany	Jul final cost of living (pan Ger)**	1.6%	1.4%
	Germany	May trade balance	DM8.5bn	DM8.2bn
	Germany	May current account	DM-1.1bn	DM-0.9bn

*month on month, **year on year † seasonally adjusted

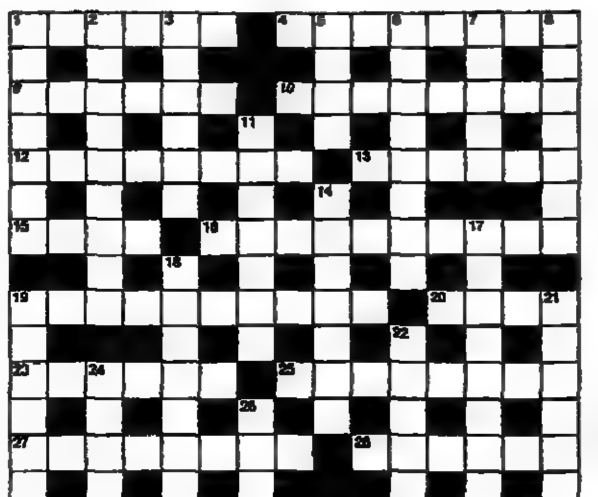
Statistics, courtesy MMS International.

ACROSS

1 Stock controller's pen (6)
4 Scope for capital growth (8)
9 Change colour? (6)
10 Old soldiers scared to get involved (8)
12 Nevertheless, netting first and last service (8)
13 Information a girl found in Switzerland (6)
15 Wrestling with a problem, love? (4)
16 The greatest amount of pride? (5,5)
19 Work on site can cause obstruction (10)
20 Slight damage to essential part of computer (4)
23 One's doctor gives one two notes to take in (6)
25 Main line terminals? (8)
27 Music of the Depression? (8,5)
28 Rob irregular corporal of horse (6)
29 Intend to go into action despite loss of rank (8)
30 Contact these to see touching spectacles (6)

DOWN

1 Lettuce goes down for pets (7)
2 Did it show the way to Mafeking? (6,3)
3 Unwilling to make up a piece of poetry (6)
5 It's still a female name (4)
6 Press for a reduction? (8)
7 Love to have a tea break about five. Like an egg? (5)
8 It involves a rubber as games need revising (7)
11 Comes into service? (7)
14 Gives voice and breaks the tension (7)
17 The followers stand here when assembled (9)
18 She is a beautiful Italian (9)
19 Possibly time to take a large number left out (7)
21 Dawn's arms (7)
22 Rare tiffs with a sweetheart (6)
24 Variety of amber or yellowish fish (5)
26 Nothing more than two notes (4)



MONDAY PRIZE CROSSWORD

No.9,138 Set by DANTE

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday August 15, marked Monday Crossword 9,138 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday August 19. Please allow 28 days for delivery of prizes.

Name...

Address...

Winners 9,126

Dr M. Sleightholm, Otley, West Yorkshire
V. McNamara, Southport, Lancashire
S.E. Mundell, Newton Aycliffe, Co Durham
Sarah Mussard, Swindon, Wiltshire
G. Sutherland, Edinburgh
R. Wilson, Croston, Lancashire

Solution 9,126

JOTTER PAD

هكذا من الأصل

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£22.84	23.08	—	1.73
Lowes Aggressive Portfolio	£10.5	11.03	—	-
Lowes Deliberate Pfolio	£11.87	12.53	—	-
Lowes Collective Pfolio Ltd	£11.2	11.75	—	-

For Scrimgeour Kemp Gee see Hambros

	Selling Price	Buying Price	+ or -	Yield Gross
TSB Fund Managers (CI) Ltd				
TSB Island Pension	732.3	770.9	—	-
Island Equity Acc	129.1	135.9	—	-
WMB Asset Management (Jersey) Ltd				
Worldinvest (Managers) Jersey Ltd				

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

هكذا من الأصل

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OTHER OFFSHORE FUNDS

4 pm close August 26

NEW YORK STOCK EXCHANGE PRICES

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

4 pm close August 26

NYSE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
32⅞	22¾	ScnwMauo	0.60	1.9	15	151	31⅞	31½	31¾	+⅛
20⅞	12	SciAtl	0.06	0.4	175	1055	14¼	13⅞	14	-¼
21	17	Scotsman	0.10	0.5	11	68	20⅞	20⅝	20⅝	+⅛
47½	38⅛	Scripps x	0.52	1.2	25	158	44¾	44⅝	44¾	+⅛
18⅛	13¼	ScuddNAsF	0.02	0.1		62	13¾	13½	13½	-⅛
13⅛	11	ScuddNEsF	0.16	1.2		466	u13⅛	12⅞	13	+⅛
20½	16	SeaCoB	0.17	0.9	25	2	19	19	19	
16	15	SeaC1.4625	1.45	9.6		18	15¼	15¼	15¼	
67¾	35⅛	S'gate			25	8074	53	51⅞	52	-1¼
38⅞	30⅞	Seagrm	0.60	1.8	23	1684	33⅞	33¼	33⅞	-⅞
28	17¼	Seagull En	1.20	6.7	11	1562	18	17⅝	18	
39	26	Sealed Air	0.64	1.7	25	265	38¼	37⅞	37⅞	-⅛
53⅞	30¼	SearsR	0.92	2.0	18	4168	47⅛	45¾	45⅞	-1½
22⅝	19¼	SecCapStk	1.24	6.0	19	373	20⅞	20¾	20¾	
13	11⅞	Seligm Sel x	0.84	6.8		193	12½	12¼	12⅜	-⅛
28¾	13⅝	Sensormat	0.22	1.2	14	2429	19	18¾	18⅞	
44⅞	29½	SequaA	0.60	1.4	51	78	u44⅞	43⅞	44¼	+⅞
50¼	39	SequaB	0.50	1.0	58	12	u50¼	49¾	50¼	
60¼	36⅞	ServCp	0.41	0.7	28	1290	57⅞	57⅜	57⅜	-⅜
23⅝	19½	SvMstr	0.68	2.9	15	425	u23⅝	23⅜	23⅜	-⅛
6¼	4½	ServMerch			10	909	4⅞	4⅝	4⅝	-⅛
48¾	28½	SGSThm			8	586	39⅞	38¾	38⅞	-⅛
15⅝	10⅝	Shaw Ind	0.30	2.0	39	977	15⅜	14⅞	15⅜	+¼
13½	10⅛	Shelby Wil	0.32	2.6	15	61	12¾	12⅝	12¾	+⅛
89⅞	76⅝	ShellTr	3.26	3.7	18	285	88⅝	87⅞	87⅞	-½
47⅛	39	SherW x	0.70	1.6	18	690	44⅞	44⅝	44¾	-⅛
13⅞	7⅞	Shoneys			10	88	9¼	9¼	9¼	
35½	18¾	Showboat	0.10	0.5	45	139	20¼	19⅞	20	-⅛
28	22¾	Sierra Pac	1.16	4.6	11	353	25¾	25⅝	25¾	
8	3½	SignalApp			0	16	3¾	3¼	3¾	
27¼	20	Signet Bnk	0.80	3.2	14	604	24⅞	24⅝	24¾	-⅛
30⅞	20	SiliconGr			36	6853	23⅞	23⅜	23½	-⅜
25⅞	24⅜	SimonDbtl				1051	24⅞	d24⅜	24⅝	-¼
9¾	7⅞	Sizeler x	0.88	10.2	29	26	8¾	8⅝	8⅝	+⅛
[illegible]										

- T -

- U -

- V -

- W -

- X - Y - Z -

NASDAQ NATIONAL MARKET

4 pm close August 26

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

[illegible]

AMEX PRICES

4 pm close August 26

[illegible]

FINANCIAL TIMES Tuesday August 27 1996

AMERICA

Dow follows bond market downwards

Wall Street

US stocks followed the bond market down yesterday morning on concerns that the Federal Reserve might move to push interest rates up next month, *writes Richard Tomkins in New York.*

At 1 pm, the Dow Jones Industrial Average was down 32.18 at 5,690.56, the Standard&Poor's 500 was off 3.62 at 663.41, and the American Stock Exchange composite was 0.48 lower at 560.46. NYSE volume was light at 163m shares.

Bonds extended Friday's losses because of continuing worries that the economic slowdown was not proceeding as expected, leading to the possibility of an increase in interest rates at the next meeting of the Federal Open Market Committee.

Some relief came from the figures for existing home sales in July, which showed a decrease of 0.5 per cent. This indicated that higher mortgage rates, which have been pushed up by rising bond yields, were dampening economic activity.

There was a bounce-back in tobacco stocks prompted by a favourable verdict in an Indiana court after Friday's close. Philip Morris was up $2⅞ at $90⅞, an increase of 3 per cent, and RJR Nabisco was up $1¼ at $26⅝, an increase of 5 per cent.

However, President Bill Clinton's announcement of a crackdown on cigarette advertising prompted worries about profits in the billboard sector. Universal Outdoor was down $⅝ at $24¼.

The takeover of MFS Communications by WorldCom in an agreed bid worth $10bn in WorldCom stock saw MFS Communications rise $9 to $43⅞, an increase of 26 per cent, while WorldCom tumbled $4¼ to $22¼ on concerns that the acquisition would dilute earnings per share.

Elsewhere, Coca-Cola followed the market downwards, losing $⅛ to $50⅞, but PepsiCo bounced back a little from last week's declines, posting a $⅛ increase to $31⅝.

Canada

Toronto highlighted banks, with interim reports imminent, and golds as the TSE 300 composite index eased 2.72 to 5,190.28 at noon. Volume fell from 38.75m shares to 33.5m but Scotiabank traded in 1.51m shares as it rose 40 cents to C$34.20 and Kinross, up 25 cents to C$11.25, in 770,000.

There was action in industrials, too, as Rogers Telecommunications said that its chief financial officer had resigned to "pursue other interests". The B shares were off 30 cents at C$9.75, a new year's low.

SOUTH AFRICA

Some of the best gains yesterday were seen in gold, miners and financial shares, although overall activity was modest. Industrial shares struggled to retrace losses in subdued trade.

The overall index was off 6.7 at 6,557.5, industrials fell 9.5 to 7,724.3 and golds were up 19.1 to 1,759.1. Malbak was up 80 cents or 4.2 per cent at R19.90.

Mexico City eases on profit-taking

Profit taking continued in MEXICO CITY, although activity was generally very low. The IPC index was down 5.83 at 3,358.54 at midday.

The market has risen by 19 per cent in dollar-adjusted terms since it hit a mid-year low on July 15, *writes Leslie Crawford in Mexico City.*

The country is now becoming the favourite regional destination of emerging market investors as it comes out of recession, and the government shifts its focus from austerity to policies aimed at encouraging growth.

A number of factors account for the rally, brokers say. First of all, the rebound in the US equity market and steady US interest rates have helped.

But more significant has been the improvement in the domestic economy.

"What is important is that Mexico is returning to 1994 levels of economic activity much more quickly than the consensus expected a year ago," says Mr Jay Pelowsky at Morgan Stanley. "In addition, growth is spreading out to include construction, which has been the biggest laggard."

Most economists believe that the government will begin to relax its austerity programme from now on.

President Ernesto Zedillo, who delivers his state of the nation address on September 1, is expected to outline more growth-oriented policies and reinforce the general mood of optimism.

The finance ministry has a small fiscal surplus which it will aim to spend in the remaining months of the year, while the central bank intends to inject more liquidity into the money markets by reducing reserve requirements for banks.

However, Mr Felix Boni, an economist with Midland James Capel, cautions that it may be a while before a healthier economy begins to improve the performance of companies, the results of which were disappointing in the second quarter.

"Corporations are not yet reflecting the rally we are seeing in macro-economic figures," he says. Nevertheless, he expects the financial and retail sectors will begin to show better results with the rebound in the economy.

SAO PAULO was off 1 per cent by midday as a number of investors began to worry about a public debt problem. The Bovespa index was off 789 at 61,238.

EUROPE

Profits and weekend criticism hit Lufthansa

Lufthansa lost another DM1.20 at DM208.80 in FRANKFURT, extending its decline to a fifth since it peaked four months ago; profits fell 37 per cent at the half-way stage and, while it forecast a second half recovery, aspects of the flag airline's pricing and marketing policy also came in for criticism over over the weekend.

The broad market, meanwhile, was looking at declines in the dollar, bunds and the Dow, and the Dax index responded with a fall of 7.70 to 2,554.42. Dealers said that the absence of the London market on a day's holiday had dulled activity: turnover showed the effect, falling from DM4.8bn to only DM3bn.

SKW Trostberg, the speciality chemicals offshoot of Viag, led the day's Ibis winners with a rise of DM1.35, or 3.5 per cent to DM39.40 on its acquisition of the Zurich-based MBT, a construction chemicals group, from the Swiss major, Sandoz. SKW also announced a 9 per cent rise in first half operating profits.

Back on the losing side, Linde, Europe's leading fork-lift builder, fell DM6 to DM931. Analysts were expecting pre-tax profits at the group to rise between 11 and 20 per cent in today's interim report.

PARIS entertained rumours that there might be a FFr1,400 per share buyout offer for Roussel Uclaf from Hoechst of Germany, the majority stake holder. Roussel's shares rallied FFr65 or 6 per cent to FFr1,165.

A spokesman for Roussel firmly denied the rumour, which appeared to have been generated by an item in the weekend press. Hoechst has a 55 per cent stake in the French company.

The CAC-40 index settled off 0.40 at 2,020.42. Turnover was just FFr1.7bn.

Scor gained FFr2.80 or 1.4 per cent to FFr197.80 on good first half sales, but Seita dipped 20 centimes to FFr208.30 as a domestic broker dropped the tobacco company from its recommended list.

AMSTERDAM was enlivened once again by Nutricia. There was no stopping the food company's shares; they raced forward another Fl 4.10 to Fl 214.10 as some investors caught up with the company's positive half year results, released last Thursday night, as well as its upbeat forecast for the rest of the year. Since the results came out the shares had rallied by nearly 12 per cent.

The AEX index, in contrast, eased 4.54 to 556.19.

KPN, the telecommunications group, was a casualty of profit-taking following Friday's announcement of an 8.5 per cent rise in profits at the interim stage. The shares fell Fl 1.90 to Fl 58.70 in high volume of 3.3m shares.

IHC Caland, the shipbuilding and engineering company, was also confident about prospects for the rest of the year, after releasing half year figures yesterday. The stock dipped Fl 2.40 to Fl 80.70, but since the start of the year had gained 60 per cent at yesterday's close. Although the half year results were slightly below analysts' expectations IHC forecast a 20 per cent increase in full year earnings over the 1995 period.

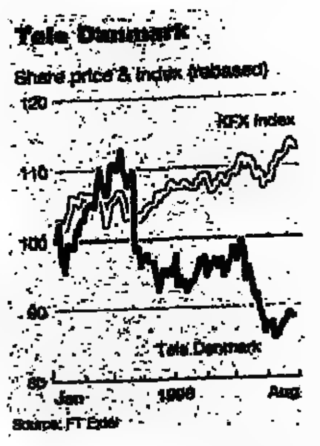
Another engineer, Stork, was carried through to a session high of Fl 51.90 after announcing late on Friday that its Fokker Aviation division had won a major order. But in sluggish trade the shares closed the day with a gain of just 20 cents at Fl 51.00.

Gist-Brocades, the biochemicals and food group, was up 50 cents at Fl 55.80 ahead of six month figures which were expected to become available on Thursday. Analysts were forecasting an improvement in profit of some 15 per cent.

ZURICH moved gingerly into a big week for results. Roche certificates fell SFr50 to SFr9,430 ahead of its figures today, and Ciba registered by SFr5 to SFr1,558 in advance of an interim report tomorrow. Sandoz, due to merge with Ciba into Novartis, reports on the same day; its shares rose by a franc to SFr1,465 but this, according to analysts, may have been due to the sale of the group's MBT subsidiary to SKW Trostberg.

The SMI index fell 10.7 to 3,714.7 in low volume. Swiss Re advanced SFr5 to SFr1,2[illegible]0, said that it would not comment on rumours that it was interested in the Mercantile & General (M&G) reinsurance unit of Prudential of the UK, but added that there would be clarity over the situation in a few days.

MILAN fell sharply as worries about the political situation began to re-surface. The Mibtel lost 120 or 1.2 per cent to 9,600 while the Comit fell 5.66 or 1 per cent to 602.82.



But traders remarked that volume was very low.

The insurance sector was unpopular as investors began to speculate about the possibility of negative short-term prospects. RAS fell L185 to L13,615, while Generali gave up L450 to L34,350.

Other fallers included ENI, down L110 to L6,695 and Fiat off L65 to L4,725.

MADRID saw its lowest turnover of the year, a mere Pta10.5bn as the general index eased 2.14 to 355.31.

Repsol fell Pta35 to Pta4,040 after four of its workers died when a boiler exploded at its Puertollano refinery.

COPENHAGEN analysts mulled over the prospects for upcoming progress reports, and a number of them were less than enthusiastic: lower profits were seen for East Asiatic, which duly fell DKr2.15 to DKr114.85; and for Tele Danmark, an underperformer since the early spring of this year, which was unchanged at DKr275 ahead of tomorrow's half-year figures.

The KFX index, which had been bobbing around near its all time high, fell 0.44 to 119.36 in turnover of DKr773m. A result on the day, combining a slump in half year profits with a forecast of a higher full-year result at NKT, the wire and cable maker, left NKT DKr7 lower at DKr300.

HELSINKI had its ups and downs. Up went Fiskars, the consumer goods group, FM13 better at a new year high of FM303 on higher than expected half year profits; but down went the wholesaler and retailer, Kesko, FM1.80 lower at FM73 as a block of 2.5m shares worth FM182.5m went through the market. The Hex index rose 4.22 to 2,131.31.

Written and edited by William Cochrane and John Pitt

ASIA PACIFIC

Seoul in turmoil on sentencing of corporate heads

The sentencing of a number of leading business figures left SEOUL in turmoil. While the imposition of jail sentences on the chairman of Samsung and eight other corporate bosses came after the close of trading, the composite index anticipated the worst, losing 15.24 to 766.39, its lowest level for 33 months. Volume was a low 18m shares.

Mr Lee Kun-hee, the head of the Samsung group, was found guilty by the Seoul district criminal court, along with eight others, of bribing Mr Roh Tae-woo, the former president. Mr Lee was given a two year sentence suspended for three years, and most analysts felt that it was unlikely that he would be imprisoned. However, the chairman of the Daewoo group, the honorary chairman of the Hanbo Group, and the chairman of the Jinro group were each sentenced to a jail term of two years.

Samsung Electronics fell Won3,900 to a new year's low of Won62,000, while Samsung Company, the group's trading division, lost Won700 to Won11,900.

Brokers felt that the loss in Samsung Electronics could also be attributed to worries about a decline in the worldwide demand for semiconductors.

The insurance sector was one of the hardest hit, losing nearly 5 per cent as a group on rumours that the government would investigate those companies said to be involved in the creation of the slush funds for two former presidents.

Samsung Fire & Marine Insurance fell Won19,000 to Won402,000 and LG Insurance dropped by its daily maximum of Won3,800 to Won59,600.

Tokyo

Activity eased ahead of Wednesday's release of the Bank of Japan's business confidence survey. The Nikkei average fell below 21,000 for the first time in six sessions as investors adjusted small lot positions, *writes Emiko Terazono in Tokyo.*

The 225 index fell 345.06 or 1.6 per cent to 20,883.74 after moving between 20,879.72 and 21,212.72. The Topix index of all first section stocks fell 24.43 to 1,582.87 and the Nikkei 300 lost 4.67 to 294.49.

Volume fell to 213m shares to the lowest level of the year, against Friday's 283m as investors refrained from activity ahead of the central bank's release of the tankan, or the quarterly survey of business sentiment on Wednesday.

Investors were also cautious ahead of Thursday's announcement of the public offering price for West Japan Railway. Position adjustments by domestic institutions on the final trading day for August settlements prompted technical selling. Declines led advances by 943 to 133 with 126 issues remaining unchanged.

Green Cross plunged Y39 to the year's low of Y417. The stock was the second most heavily traded of the day; some investors had started to sell the stock short on the prosecutors' investigations, which started last week, of criminal charges against the company over its handling of untreated blood products during the 1980s.

Honda Motor was one of the few bright spots of the day, rising Y10 to Y2,550. Investors were encouraged by its announcement that it will post a record consolidated net profit, thanks to the weaker yen and the popularity of its recreational vehicles. Other car stocks were lower, however, with Toyota down Y20 to Y2,680 and Nissan falling Y26 to Y835.

Japan Tobacco lost Y10,000 to Y799,000 on the move by the US government to treat nicotine as a drug and to control cigarette advertising.

Some investors feared that the US decision could affect sales of cigarettes in Japan.

Supply concerns hit the banking sector, with some banks stepping up their funding programmes in order to meet international capital ratio requirements set by the Bank of International Settlements. Sakura Bank lost Y50 to Y1,030.

In Osaka, the OSE average fell 315.04 to 21,895.88 in volume of 42.7m shares. Murata Mfg, a machinery maker, fell Y100 to Y3,930 on selling by individual investors.

Roundup

SYDNEY's bond market took a mauling after the weakness in US Treasuries last Friday, this flowed through into equities and the All Ordinaries index fell 10.8 to 2,282.1 in turnover down from A$740m to A$617m.

The aluminium producer, Comalco, tumbled on sharply lower first half profits, losing 38 cents at A$7.10 after a 48 per cent drop in net profits and an interim dividend cut from 12 cents to three cents. CRA, which owns 70 per cent of Comalco, lost 12 cents at A$19.58.

BANGKOK gave up 1 per cent, the SET index easing 11.29 to 1,095.44 in turnover of Bt1.9bn. The uncertain political situation remained uppermost in the minds of investors, with the coalition government due to face a censure motion next month.

Finance stocks were sold-off, and the banking index declined 1.5 per cent. Thai Farmers Bank lost Bt3 to Bt172 and Krung Thai Bank fell Bt4 to Bt107.

National Fertiliser, which made its market debut, closed at Bt9.90, a 38 per cent discount to its IPO price.

SINGAPORE switched interest from second line issues to Malaysian over-the-counter stocks, but many institutional buyers were absent due to the closure of Hong Kong. The Straits Times Industrial index fell 21.49 to 2,160.03.

KARACHI saw selling by speculators as major investors stayed away because of political and economic uncertainty. The KSE 100 index fell 10.85 to 1,431.17.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

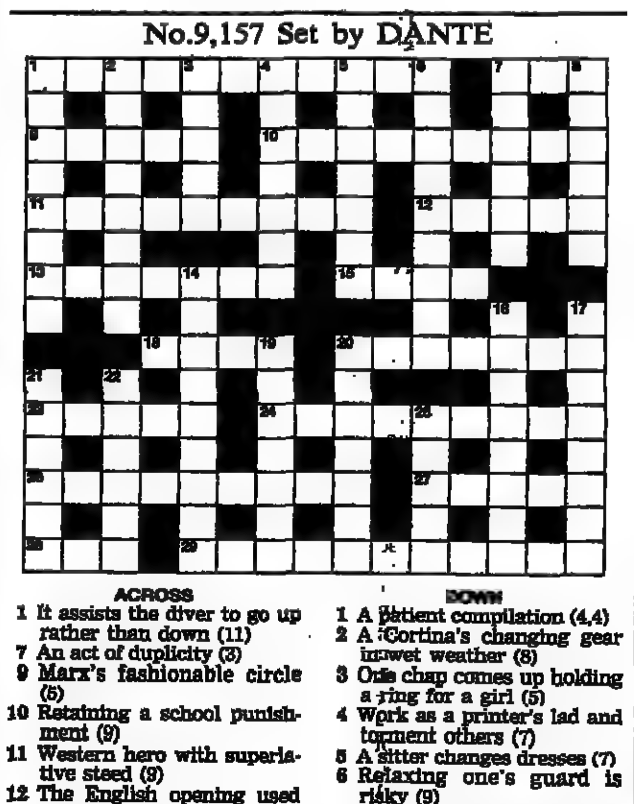
NATIONAL AND REGIONAL MARKETS — Figures in parentheses show number of lines of stock	FRIDAY AUGUST 23 1996 — US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	THURSDAY AUGUST 22 1996 — US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX — 52 week High	52 week Low	Year ago (approx)
Australia (80)	207.55	0.4	197.98	142.32	160.50	174.74	0.7	4.24	208.79	197.98	141.80	160.82	173.51	212.18	179.59	179.59
Austria (24)	179.91	1.4	171.62	123.37	139.12	139.03	0.9	2.02	177.37	169.79	121.62	137.94	137.85	195.04	168.11	183.14
Belgium (27)	217.98	0.6	207.93	149.47	168.56	164.66	0.1	4.04	216.67	207.42	148.57	168.51	164.58	217.98	187.17	187.63
Brazil (28)	176.61	-0.6	168.47	121.11	136.57	330.03	-0.5	1.94	177.59	170.00	121.77	138.11	331.69	189.70	123.97	153.55
Canada (118)	164.38	0.2	156.80	112.72	127.11	163.05	0.1	2.20	164.00	157.00	112.45	127.54	162.81	166.12	134.14	147.39
Denmark (30)	318.05	0.3	303.39	218.09	245.94	248.59	-0.2	1.85	316.97	303.43	217.34	246.51	249.15	318.23	276.89	282.09
Finland (23)	209.51	0.9	199.85	143.66	162.01	198.57	0.6	2.52	207.71	198.84	142.42	161.54	197.41	276.11	171.73	254.49
France (95)	191.35	0.7	182.53	131.21	147.97	152.39	0.2	3.17	190.10	181.98	130.35	147.84	152.03	199.39	167.70	180.45
Germany (58)	175.82	0.5	167.71	120.56	135.95	135.95	-0.1	1.80	174.95	167.48	119.96	136.06	136.06	176.72	155.66	158.82
Hong Kong (59)	437.80	-0.5	417.61	300.21	338.54	434.62	-0.5	3.37	439.89	421.10	301.62	342.10	436.76	461.19	353.85	369.53
Indonesia (27)	190.23	1.2	181.46	130.45	147.10	273.55	1.4	1.74	187.92	179.89	128.85	146.14	269.87	–	–	–
Ireland (16)	286.44	0.7	273.24	196.42	221.50	250.08	0.3	3.49	284.36	272.22	194.98	221.14	249.30	290.82	238.42	241.33
Italy (58)	77.28	0.8	73.72	53.00	59.76	87.43	0.3	2.46	76.66	73.39	52.57	59.62	87.14	84.53	67.22	79.63
Japan (481)	148.95	-0.4	142.09	102.14	115.18	102.14	-0.4	0.75	149.58	143.19	102.56	116.33	102.56	164.66	137.75	147.88
Malaysia (107)	554.98	0.2	529.37	380.54	429.14	532.94	0.2	1.70	553.67	529.93	379.57	430.51	532.01	585.09	425.77	521.08
Mexico (19)	1296.66	-1.0	1237.07	889.28	1002.84	10607.48	-0.9	1.26	1309.61	1252.70	897.98	1018.48	10701.03	1325.65	781.99	1119.39
Netherland (19)	301.49	-0.3	287.59	206.74	233.14	229.40	-0.9	3.17	302.34	289.43	207.31	235.15	231.44	304.24	246.70	247.57
New Zealand (15)	86.06	1.8	82.11	59.03	66.56	65.67	1.4	4.18	84.59	80.98	58.00	65.78	64.93	86.06	75.94	79.01
Norway (35)	250.02	0.5	238.49	171.44	193.33	218.39	0.0	2.07	248.70	238.08	170.53	193.41	218.36	258.94	222.24	228.66
Philippines (22)	206.50	1.7	196.99	142.97	161.53	272.24	1.7	0.80	205.05	196.30	140.60	159.47	267.78	–	–	–
Singapore (44)	401.97	0.1	383.44	275.64	310.84	261.28	-0.0	1.48	401.75	384.60	275.48	312.44	261.29	465.21	360.49	365.99
South Africa (44)	325.89	2.5	310.86	223.48	252.00	323.41	2.0	2.31	318.57	304.97	218.44	247.75	317.17	437.78	314.20	350.93
Spain (37)	178.17	0.7	169.95	122.17	137.77	169.58	0.3	3.45	176.89	169.34	121.29	137.57	169.15	183.85	146.16	152.65
Sweden (48)	360.17	0.1	343.56	246.97	278.51	351.95	-0.4	2.42	360.00	344.63	246.84	279.97	353.51	360.77	281.98	286.80
Switzerland (37)	252.64	1.0	241.18	173.38	195.51	188.43	0.2	1.87	250.39	239.70	171.89	194.73	187.96	252.84	194.67	195.30
Thailand (45)	145.56	2.1	138.85	99.82	112.56	142.96	2.2	2.36	142.51	136.42	97.71	110.83	139.96	193.95	138.75	168.49
United Kingdom (200)	245.92	0.8	234.59	168.63	190.17	234.59	0.4	4.07	244.02	233.60	167.32	189.77	233.60	245.92	218.58	218.88
USA (625)	271.72	-0.5	259.19	186.32	210.12	271.72	-0.5	2.17	273.09	261.43	187.25	212.38	273.09	276.47	227.31	227.31
Americas (780)	248.60	-0.5	237.14	170.47	192.24	209.03	-0.5	2.16	249.78	239.11	171.27	194.25	210.03	252.43	208.66	208.66
Europe (707)	215.93	0.6	205.98	148.07	166.98	185.96	0.1	3.06	214.60	205.44	147.15	166.89	185.72	215.93	189.62	191.09
Nordic (136)	312.14	0.2	297.74	214.04	241.37	267.20	-0.2	2.31	311.35	298.05	213.48	242.13	267.80	312.14	261.13	274.20
Pacific Basin (880)	162.78	-0.3	155.28	111.62	125.87	113.81	-0.3	1.22	163.27	156.30	111.95	126.97	114.13	177.01	148.86	157.90
Euro-Pacific (1587)	184.80	0.1	176.29	126.72	142.90	141.07	-0.1	2.11	184.59	176.65	126.53	143.51	141.16	190.57	166.91	171.83
North America (743)	265.17	-0.5	252.95	181.83	205.05	264.52	-0.5	2.17	266.41	255.04	182.67	207.19	266.77	266.52	222.36	222.36
Europe Ex. UK (507)	194.84	0.5	185.86	133.61	150.67	158.39	0.0	2.50	193.81	185.53	132.89	150.72	158.42	194.86	169.65	171.40
Pacific Ex. Japan (399)	288.83	0.2	275.51	198.06	223.35	249.15	0.2	3.01	288.37	276.06	197.73	224.27	248.62	298.68	243.59	254.09
World Ex. US (1796)	186.02	0.2	177.44	127.56	143.85	145.66	-0.1	2.11	185.70	177.78	127.33	144.42	145.73	191.66	167.96	172.63
World Ex. UK (2221)	209.33	-0.2	199.68	143.54	161.87	176.75	-0.3	1.94	209.77	200.81	143.83	163.13	177.29	213.05	185.61	186.46
World Ex. Japan (1940)	247.11	0.0	235.72	169.45	191.08	232.86	-0.2	2.52	247.19	236.63	169.49	192.24	238.31	247.55	212.60	212.95
The World Index (2421)	212.50	-0.1	202.71	145.72	164.33	181.92	-0.2	2.14	212.75	203.67	145.88	165.48	182.35	214.95	189.71	189.38

Latest prices were unavailable for this edition.

JOTTER PAD

CROSSWORD

No.9,157 Set by DANTE



ACROSS

1 It assists the diver to go up rather than down (11)
7 An act of duplicity (3)
9 Marx's fashionable circle (5)
10 Retaining a school punishment (9)
11 Western hero with superlative steed (9)
12 The English opening used in tournament (5)
13 Con man returns in disgrace (7)
15 An opening possibly lost (4)
18 Employer provides a course in the City (4)
20 Revive with a little relaxation and a mineral (7)
23 Innocent one in church body (5)
24 Mid-off's just terrible (9)
26 Turned up in France (9)
27 In decimal it represents 1 3/4 pints (5)
28 Performed – and can return for an encore (3)
29 Be good enough to give policemen hearty meals (4,3,4)

DOWN

1 A patient compilation (4,4)
2 A Cortina's changing gear in wet weather (8)
3 One chap comes up holding a ring for a girl (5)
4 Work as a printer's lad and torment others (7)
5 A sitter changes dresses (7)
6 Relaxing one's guard is risky (9)
7 A club motorist (6)
8 Decorated about noon, has to deliver a speech (6)
14 Wrote a quick note and left in a hurry (6,3)
16 Papers thrown at a union meeting (8)
17 Spring after spring, it never fails to surprise me (4,4)
19 Denial of a fault in the show-ring (7)
20 Train me to change gear (7)
21 A lady well-liked on the network (6)
22 Describing Jill when cut off by Edward (6)
25 Draw a hole (5)

Solution to Saturday's prize puzzle on Saturday September 7.
Solution to yesterday's prize puzzle on Monday September 9.

هكذا من الاصل

INTERNATIONAL PEOPLE

Talermo plays harder at Amer

Former professional skier Roger Talermo has started making his mark in charge of Amer, the Finnish group that has experienced trouble since it acquired a clutch of big names in the sporting goods business, including Wilson, MacGregor golfing equipment and Atomic, the ski specialist.

Despairing investors feared that the Helsinki-based Amer, which reported a heavy loss in the first four months, was incapable of managing such a competitive consumer business, based as it is chiefly in the distant US. Wilson's high profile sponsorship stars like Michael Jordan, Pete Sampras and Steffi Graf seemed to inhabit another world from the group of obscure Finnish academic institutions that control Amer.

In a bid to take a grip Talermo has made himself chief executive of Wilson Sporting Goods, the group's biggest unit (based in Chicago); the six-month temporary basis on which Jim Reed Anderson held it has ended. Talermo, a Finn who moved into the top spot at Amer from Atomic in May, has also promoted Jim Baugh, previously head of Wilson's racquet division, as president of Wilson, in charge of global marketing strategies, branding, product development and North American sales. Talermo has put European and Japanese marketing operations on a more independent basis, appointing Luke Reese as new general manager of European operations.

The shake-up, which Amer says is just the start of further structural changes, has sparked a big recovery in the group's shares. Two months ago they fell below FM75; last week the stock was trading at close to FM115. *Hugh Carnegy*

Senior move at TI

Dave Richardson has become president of Texas Instruments' European operations, as part of a series of senior management changes. Richardson is responsible for all TI's operations in the region, including its business units, manufacturing activities and sales and marketing offices in 16 countries. He reports to Rich Templeton, executive vice president, and is a member of TI's global leadership team.

Richardson, who was senior vice president and general manager of TI's mobile computer and office solutions businesses, replaces John Scarsbrick, aged 43, who was named worldwide manager of TI's applications specific products business and semiconductor group senior vice president.

Meanwhile Keh-Shew Lu, aged 49, will continue as president of TI Asia but also assumes worldwide responsibility for the group's memory products. His appointment reflects the growing importance of Asia for TI's global semiconductor strategy and the emergence of the region as the worldwide manufacturing centre for dynamic random access memory chips. *Paul Taylor*

IDV chooses US head

International Distillers and Vintners, the drinks arm of Grand Metropolitan, has recruited Chuck Phillips from Kraft Foods to head its operations in the Americas. Phillips, 51, takes up his new post in early September and will be based in Hartford, Connecticut.

Jack Keenan, IDV's chief executive, was chairman of Kraft, the food subsidiary of Philip Morris, until he joined IDV earlier this year as part of the management succession to Lord Sheppard, the former GrandMet chairman. However, IDV is at pains to say that Phillips owes his appointment to his strong international background, rather than to the Kraft connection.

Phillips, like his boss, a brands man, will take responsibility for IDV's operations from Canada to South America. He was most recently president and chief executive of Kraft Canada, but, during his 26 years' experience with Kraft, headed its operations in Spain and Portugal, Latin America, the Middle East, eastern Europe and Africa. At IDV he replaces Bob Furek, who is due to retire at the end of the year. *Nim Caswell*

New Saatchi creation

The global advertising group Saatchi & Saatchi has gone through some upheavals recently – not the least of which was the departure of its two eponymous founders, Maurice and Charles Saatchi, who now run their own agency.

But Saatchi & Saatchi is alive and kicking, and continues to think how best it might serve its multinational clients. That effort is behind the creation of a new post – worldwide creative director – to be filled by Bob Isherwood.

Isherwood has come up through the ranks not as a 'suit' – an account handler – but as a graphics designer. A graduate of the Royal Melbourne Institute of Technology, he then went off to London where in the early 1970s he joined Young & Rubicam, becoming, at 25, the youngest group head at the agency. He then moved on to Collett Dickenson Pearce (as the agency was then known), becoming a director and partner before joining Saatchi & Saatchi in 1986.

Most recently he has been chairman of the agency's worldwide creative board. Saatchi describes Isherwood's new task primarily as being to exercise quality control across the agency's network.

In his career Isherwood has notched up many top advertising awards, including in 1991 being named (by Business Review Weekly) Australia's leading creative director. He will remain based in Sydney – where he has been executive creative director for the agency's Australian outpost – but will have global responsibilities, with other offices in London and New York. *Gary Mead*

ON THE MOVE

■ Syed Iftikar, who in 1982 founded SYQUEST TECHNOLOGY, based in California, has resigned from the board.

■ Gary Burton, deputy director of finance and administration at the Orange County Transportation Authority becomes the new chief financial officer for ORANGE COUNTY, which emerged from bankruptcy in June.

■ US funds management company STATE STREET GLOBAL ADVISORS, has appointed Peter Dorrian as its first Australian marketing director to spearhead the growth of its Australian funds management business. Dorrian joins in September from BT Funds Management.

■ Malayan United Industries (MUI) has appointed new directors to PENGKALEN HOLDINGS. Chairman Khoo Kay Peng will be among eight new directors appointed to the board of Pengkalen Holdings, which owns two stockbroking houses. Executive chairman and director, Jaya Tan, and others directors have resigned.

■ Charles Henry, who joined E I du Pont de Nemours and Company in 1963, and was most recently executive vice-president and chief financial officer, has been appointed chairman, president and chief executive of SCHULLER CORPORATION. He succeeds Thomas Stephens as president and chief executive, and Robert Falise as chairman. Falise will continue as a director of Schuller and as chairman to the trust that owns controlling interest in the company. Schuller Corp is a US manufacturer of insulation and building products.

■ Dennis Wheeler, chairman and chief executive of Couer d'Alene Mines, has been appointed to the board of Australian gold miner GASCOYNE GOLD MINES and also becomes deputy chairman.

■ Robert Bohannon has been appointed president and chief operating officer of the services company VIAD. Bohannon, who joined in 1993, replaces Andrew Patti, who joins Ameritech.

■ Bruce Kenyon, chief operating officer of South Carolina Electric & Gas is resigning to take up the position of president and chief executive of NORTHEAST NUCLEAR ENERGY COMPANY and other nuclear subsidiaries and affiliates of Northeast Utilities System.

■ Stuart Hornery, chairman of Land Lease, has resigned as a non-executive director of WESTPAC BANKING.

■ Frank Cheung Cheuk Woon has been appointed treasurer and head of money markets/repo trading in Hong Kong for DEUTSCHE MORGAN GRENFELL. Previously he was an associate director foreign exchange/global markets at Deutsche Bank Sydney.

■ Gary Ginter joins HULL TRADING COMPANY as a principal, focusing on new business development. He was a founding partner of Chicago Research and Trading Group, now known as NationsBank/CRT. Ginter has also been managing director of Globex, the electronic trading joint venture between the Chicago Mercantile Exchange, Reuters, the Chicago Board of Trade and the Matif of Paris.

■ Timothy Burch, currently manager of human resources for General Electric Corporation's Asian operations, has been appointed as vice-president, human resources at RAYCHEM CORPORATION. Chang-Lin Tien, chancellor of the University of California at Berkeley, has been elected to the board of Raychem.

■ The board of GERBER SCIENTIFIC have confirmed the appointment of George Gentile, a director since 1989, as chairman and chief executive of the company. Gary Bennett, treasurer and controller, becomes chief financial officer.

■ MCDONNELL DOUGLAS AEROSPACE has made three senior appointments at vice-president/general manager level: Patrick Finneran, for market development; Michael Marks, for the F-15 programme; and John Tyson, for the AV-8B and T-45 training system programmes. In addition, Leonard Impellizzeri, vice-president-general manager of production operations and general services, assumes responsibility for the C-17 commercial support.

■ FEDERAL MOGUL CORPORATION, the Michigan-based vehicle parts manufacturer, has appointed James Fetter as financial controller – North American Aftermarket. He joins from AlliedSignal Automotive.

■ SHANGHAI INTERNATIONAL, the Hong Kong-listed arm of China's biggest securities company, has appointed Jiang Guo Fang as chairman and Lu Wen Qing as director, replacing Gao Guofu who has resigned. Jiang is vice-president of Shenyin & Wanguo Securities and Lu is managing director of the international division.

■ Peter Ellergast, who last year unexpectedly stepped down from his position as management chairman of FW Woolworth in Germany, has become executive manager at clothing store chain PEEK & CLOPPENBURG of Duesseldorf.

■ Ciba and Sandoz have hived-off NOVARTIS SERVICES which will be managed by Hans Kindler.

■ Irwin Siegel has been appointed as managing partner for DELOITTE TOUCHE TOHMATSU INTERNATIONAL'S practice in Russia and the CIS. He is currently the international service co-ordinator in the US, based in Atlanta.

■ Brian Ruder and Stephen Sadove have joined the board of SAKS HOLDINGS as non-executive directors, increasing the board to nine. Ruder is president of Heinz USA Retail Products and Sadove has been president of Clairol since 1991.

■ Antony Leung has been appointed by CHASE MANHATTAN BANK as managing director and regional manager for Greater China and the Philippines. Leung has been with Citibank for the 23 years and is a member of the Preparatory Committee for the Hong Kong special administrative region, as well as an adviser to the government of China. Chase former managing director Richard Mounce has been appointed Asia business manager, a new position.

■ Isabelle Goosen, vice-president, financial relations, has been named vice-president, treasurer, with continuing responsibility for financial relations at PREMARK INTERNATIONAL.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

هكذا من الأصل

Forgotten talent rediscovered

William Packer on the Edinburgh galleries

Arthur Melville, at Bourne Fine Art, was a virtuoso in his preferred medium of water-colour, with an apparently easy command of the richest, deepest, broadest effects and the most dazzling tricks of light and detail. This might be thought misfortune enough in a culture that has always affected to distrust conspicuous facility, but he compounded his misfortune by dying of typhoid in 1904 at the age of 49 – just when he was finally established in both London and his native Scotland and the more radical freedoms of French painting were beginning to register on this side of the Channel.

In his interest and subject-matter, Melville was close to the Orientalism of such as Lewis and Lear, close in spirit to the aesthetic impressionism of Whistler, Lavery and Sargent, yet in his actual execution he was far more adventurous than any of them, never less than effective yet teetering so often on the edge of abstraction. The water-colours of Sargent and his fellow-American, Prendergast, were soon to come into their own: those of Melville stand with the best of them.

★

The City Art Centre has three shows, each quite distinct. *Heartland* is drawn upon the City Council's own collection of landscapes by Scottish artists of this century. Almost all the expected names are there and represented by strong works, from William McTaggart's idiosyncratic expressionism at the turn of the century, through the associative abstraction of William Johnstone and the sharp focus of James Mackintosh Patrick, to such as Barbara Rae, John Houston and Duncan Shanks today. But Joan Eardley is the star.

Downstairs, *Gateway to the Silk Road* shows objects from the Han to the Tang Dynasties, which is to say from around 200 BC to about 900 AD. They come from Xi'an, Edinburgh's twin city in Shaanxi Province, that was once Chang'an, the ancient capital of China. The theme may be the old trade road that once left Xi'an for the Mediterranean, but the objects provide the excitement.

There is no sculpture now in Edinburgh more extraordinary than the the tomb model of a Han watch-tower, some 4ft high, nor is there a single piece better than the wonderfully simple and supercilious Bactrian Camel, Western Han again, that stands some 30 inches high. And then there are the Tang figures, the group of itinerant female musicians on horseback, the huntsmen with their hawks and dogs. These are wonderful things.

In the basement is the fascinating rediscovery of the work of Christina Robertson, a Scottish portrait painter who enjoyed considerable success in the early 19th century but has since been almost entirely forgotten. She showed regularly at the Royal Academy, was elected to the Royal Scottish Academy, and for a while commanded prices higher than Landseer and Winterhalter.

But what makes her truly remarkable is that, failing to achieve the final success of royal patronage at home, she twice took herself off to St Petersburg, where she became painter to the Tsarist Court and the Russian aristocracy. Her first stay was from 1839 to 1841, her second, from 1845, lasted until her death in 1854, at the age of 57, by which time her success had faded and she was looking for funds to bring her home.

Hers is an odd and sad story, but the work, within the conventions of the portraiture of her time, stands up very well, fresh, strong and thoroughly professional. The small self-portrait from the Victoria & Albert museum shows us a determined young woman at the outset of her career, rather beautiful in a matter-of-fact way, with her clear eye and steady gaze.

★

Speaking Likeness at the Scottish National Portrait Gallery deserves mention, if only for being such a good idea. It is, at one level, merely an anthology from the collections, but the fun comes with the accompanying portable tape. Far from imposing the tendentious gloss usual with such things, it offers at the press of the button only the actual voice of the portraitee. Gladstone, Buchan, Ramsay Macdonald, Harry Lauder, Lulu, Her Majesty The Queen – terrific.

★

Tam O'Shanter by Alexander Goudie fills the Freemasons' Hall with nearly 60 canvases, many large and all substantial, that carry us helter-skelter through Burns's gleeful epic. Here it all is, poor drunken, benighted Tom on his way home from market, his terrifying encounter with the witches and the warlocks, and his headlong flight for safety beyond the bridge on the back of the eventually tail-less Meg, his faithful grey mare. It is all done in the high tradition of the great Victorian illustrators, but larger than life. Goudie knows his stuff, and if occasionally he over-reaches himself, is a shade perfunctory or glib, he is quite forgiven for his sense of fun, and his sheer nerve.

'Children with a parrot', 1850, by the remarkable Scottish artist Christina Robertson

Arthur Melville 1855-1904: Bourne Fine Art, Dundas Street, until August 31, then to the Fine Art Society, London. *Heartland* and *Gateway to the Old Silk Road* (sponsored by Scotsman Publications, Hewlett-Packard and McRobb Display) and *Christina Robertson* (sponsored by Coral): City Art Centre, Market Street, until October 5. *Speaking Likeness:* Scottish National Portrait Gallery until September 30; in association with BBC Scotland. Alexander Goudie – *Tam O'Shanter:* Freemasons' Hall, 96 George Street, until August 31; in association with Artbank.

Musical

Kiss the Sky

As the pub that the Bush Theatre inhabits is being refurbished, it has had to go into exile to the Shepherd's Bush Empire bar next door, where Jim Cartwright's "psychedelic musical" *Kiss the Sky*, the biggest show ever mounted by the theatre, makes witty use of the space.

A "musical happening", Cartwright plays with the idea that in the superb 1960s music and incredible naffness existed side by side. But "musical" suggests rather more in the way of plot and text than the show has to offer – it is more of a "Sounds of the Sixties" compilation with gags and vignettes between the songs.

This is placed in a Lancashire version of the festival in a field – only less muddy. The band performs Sixties classics while the MC (Rob Jarvis, hugely enjoyable as a man who fancies anything in bell-bottoms, including himself) peppers his announcements with the sort of *double entendres* that would make Bernard Manning blush. A poet reads an earnest anti-war rant; a couple get married to each other "and the whole world"; a pair of yoga enthusiasts sit cross-legged, emiting "ohm" from time to time and invite the audience to get in touch with God or the universe – whichever seems closer. You get the drift.

Between the songs, the monologues of drab northern traveller Alan Williams takes us on a kind of psychedelic package tour. He encounters happenings, squats, good trips, bad trips, sex in Amsterdam, cosmic stew in India and has a brief flirtation with a leotard-clad theatre company (he is dismissed for having sex in the wings instead of on stage). His story serves as reminder that this was a party destined to produce a bad hangover; but while these tell-it-to-the-audience-straight monologues were used cleverly by Cartwright in *Road*, here they come over as an awkward device. As our traveller becomes increasingly stoned, they so become increasingly tedious.

The music, however, is wonderful and superbly performed by the on-stage band (under the musical direction of Neil McArthur). Most memorable is Caron Pascoe, whose show-stopping version of "Piece of My Heart" gives Janis Joplin a run for her money, but all the originals are impressively evoked, from the delicate sound of Joni Mitchell to Hendrix in full throttle.

Mike Bradwell's production treads a nice line between poking fun at the sitting targets – haircuts, beads, pseudobabble – and playing tribute to the music. The show confirms what one always suspected – that the Sixties consisted of long periods of drivel punctuated by wonderful moments; that the music was great, the fun patchy and that no-one knew when to stop.

Sarah Hemming

Shepherd's Bush Empire, London W12 (0181-740 7474).

Inés de Castro

Richard Fairman on James MacMillan's first full-length opera

Selling a new opera is that much easier when people recognise the composer's name. After an early run of successes and a lot of noisily-orchestrated hype on all sides, James MacMillan has attained a remarkable degree of celebrity for a young classical composer.

For his first full-length opera, *Inés de Castro*, the Edinburgh Festival and Scottish Opera joined forces to provide Scotland's best-known composer with a prominent platform on which to launch his operatic career. Earlier works, such as his exciting orchestral score *The Confession of Isobel Gowdie*, had already shown his capacity for red-blooded drama. He picked a good, gory, operatic tale in John Clifford's libretto; and the performers at the Edinburgh Festival Theatre on Friday selflessly gave everything they had.

So why is *Inés de Castro* less than a success? There will be many people in the audience who would rather sit through MacMillan's opera a second time than one of those impenetrable modern operas that are only fit to be filed away on the shelf labelled "for doctoral theses only". He has done his level best to be approachable and it seems ungrateful to complain that what we are given is little more than an assembly-line opera.

Anybody familiar with

96

"Bluff your way through opera" will feel safe with the basic plot: A and B love each other, but politics and jealous rivals get in their way. The libretto reads like a miniature *Aida* (the Spanish Inés de Castro has to watch her lover, the crown prince of Portugal, go off to battle against her own people) until the last two scenes, where it goes gloriously off the rails into a pile-up of the gory, the comic and the macabre.

For the bloodthirsty final tableau Pedro exhumes Ines's corpse to sit on the throne beside him, while the state executioner has just finished an inventory of gruesome tortures (Christopher Purves hitting the right tone of lip-smacking relish). It is a tall order for the composer to switch styles skilfully enough to keep up: MacMillan plunders Shostakovich for his satirical moments, but fails to find music to match the strangeness of the ending.

That, unfortunately, is where *Inés de Castro's* weakness lies. MacMillan's score is not stamped with any individuality although the orchestral writing recaptures some of the flair of MacMillan's earlier works, and Richard Armstrong and the Scottish Opera orchestra let rip at every opportunity. As each scene works itself up into a frenetic climax of thundering timpani and rasping brass every ten minutes or so, these are many.

The real problem is the vocal parts, which lack character. MacMillan has no trouble setting himself up with promising arias and duets, but nothing like a memorable tune ever takes a bow. With several large set pieces to her role, Helen Field tirelessly throws herself into the part of *Inés de Castro*, but no amount of shining top notes and impassioned singing can do duty for the personality that is not in the music.

Everybody in the cast works hard. Jeffrey Lawton's heavyweight tenor is hardly appealing, but he sings Pedro with the necessary passion. Jacek Strauch and Stafford Dean were strikingly contrasted as the evil Pacheco and the good King. Elizabeth Byrne played Pedro's unsympathetic wife strongly and Anne Collins gave good value in as the Nurse and Old Woman.

In the last resort, the disappointment is proportional, because expectations had been raised that much too high in advance. MacMillan has gone through the motions of writing a good, old-fashioned opera and audiences will probably be happy to go through the motions of watching it. It is just not the real thing.

Sponsored by Marks & Spencer

Traverse fare on the Fringe

Under the terms of the Scottish Arts Council's new funding system, theatre companies are invited to apply to cover specific constituencies, both geographical and artistic. This is no problem for Gerry Mulgrew of Communicado, who is also committed to vibrant and intelligent story-telling.

Communicado's Fringe show this year, Michael Vinaver's *Portrait Of A Woman*, cuts rapidly between courtroom scenes in a French murder trial (based on a real 1951 case) and episodes in the life of Sophie Auzanneau which led up to her killing her lover. Stage space is swiftly and repeatedly redefined as Veronica Leer's Sophie passes through her life and her trial without quite engaging with their realities, infuriating her prosecutors by her inability to recognise remorse.

Twin time-lines also form the structural spine of *Entertaining Angels*, from Nicola McCartney and Lucy McLellan's rising Glasgow-based LookOut company. After last year's *Easy*, this piece sees the company's reach exceeding its grasp: scenes from a Liverpool family's life – full of petty tensions, but no grand dysfunctions – alternate, and sometimes coincide, on stage, with moments from the past recounting the depressive disintegration of mother Grainne. For years father Eric has let his younger children believe their mother is dead, until cousin Daniel arrives from Armagh to break the news which eldest child Grace has always known: that Grainne, if not exactly well, is certainly alive.

Family drama mingles with the confining nature of ideologies and a slightly uncomfortable use of religious mysticism as a metaphor for personal interaction. McCartney and McLellan's script is immensely thoughtful; McCartney is also skilled at eliciting nicely understated performances from her company. However, as yet LookOut remains a company of great promise rather than guaranteed delivery.

Starving Artists are now Traverse regulars in August, more or less alternating between solo pieces for performer Mark Pinkosh and two-handers. *Viper's Opium* teams Pinkosh with Kathryn Howden as the eccentrically appealing Cricket – so appealing, in fact, that the virtually unheard-of occurs: a hetero sex scene in a Starving Artists play.

Cricket and Curtis are a couple who could *almost* be perfect, but are crippled by Curtis' rootlessness and Cricket's co-dependence. Pinkosh's partner, writer Godfrey Hamilton, is as richly eloquent as ever, but the overall picture feels a little inchoate. Nevertheless, *Viper's Opium* is a deeply affecting work informed by a terrifically human sensitivity.

The joker in the Traverse's pack is Daniel MacIvor of Canadian duo Da Da Kamera. *Here Lies Henry* is a magnificently oddball construction. MacIvor, as Henry Tom Gallery II, builds from comically uncertain beginnings into a torrent of preposterous mendacity, following a mysterious commission which he reveals an hour later. Richard Feren contributes monumental sound sculptures, also treating isolated phrases from MacIvor's radio microphone to create the eerie effect of a disembodied chorus. One of the loopier joys of the Fringe is finding a show which leaves one baffled but grinning widely; *Here Lies Henry* is a perfect example of the type.

Ian Shuttleworth

All shows run until August 31 at the Traverse Theatre (0131 228 1404).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-5730573
● Orchestre Français des Jeunes: with conductor Marek Janowski and violinist Isabelle van Keulen perform works by Ravel, Prokofiev and Lutoslawski; 8.15pm; Aug 28

■ BAYREUTH

OPERA
Bayreuther Festspiele Tel: 49-921-78780
● Die Meistersinger von Nürnberg: by Wagner. Conducted by Daniel Barenboim. Soloists include Birgitta Svenden, Renee Fleming and Peter Seiffert. Part of the Richard Wagner Festspiele; 4pm; Aug 28

■ BERLIN

EXHIBITION
Berlinische Galerie – Martin-Gropius-Bau Tel: 49-30-254860
● Noch nie gezeigt – Aktuelle Positionen aus den Sammlungsbeständen der Berlinischen Galerie: exhibition of works from the museum's collection, most of which were never before shown to the public. The majority of the works on display was recently added to the museum's collection. The show includes, installations, paintings, photographs, architectural drawings and designs; to Oct 13

■ BORDEAUX

EXHIBITION
Musée des Beaux-Arts Tel: 33-56 10 16 93
● Greece in Revolt. Delacroix and the French Painters (1815-1848): this exhibition commemorates the efforts made by French artists and intellectuals to help Greece achieve independence from the Ottoman Empire. The display features works by Delacroix and others; to Sep 8

■ COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Tivolis Symfoniorkester: with conductor Eri Klas and viola-player Yuri Bashmet perform works by Schnittke and Tchaikovsky; 7.30pm; Aug 29

■ DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● RTE Concert Orchestra: with conductor Gearóid Grant and presenter Gerry McArdle perform excerpts from The Yeomen of the Guard and The Mikado; 6.30pm; Aug 30

■ EDINBURGH

EXHIBITION
National Gallery of Scotland Tel: 44-131-5568921
● Velázquez in Seville: this exhibition features early works made by Velázquez in his native town Seville, before he moved to Madrid in 1623. The display, comprising 50 works including portraits, prints, drawings and sculpture, is centered on the National Gallery of Scotland's own Velázquez, "An Old Woman Cooking Eggs". Selected works by the artist's contemporaries help to set the historical and artistic context for Velázquez's early paintings; to Oct 20

■ LIVERPOOL

EXHIBITION
Liverpool Museum Tel: 44-151-2070001
● The Arts of the Samurai: 14th-19th Century: this exhibition is drawn from the museum's Japanese collections, which have never previously been displayed. The exhibits consist of Japanese armour, swords, sword-fittings and lacquer work from the collection of local business man Randal Hibbert (1865-1942). The exhibition illustrates the European perception of the Japanese following the opening up of Japan to western trade in 1868; to Aug 28

■ LONDON

EXHIBITION
Courtauld Institute Galleries Tel: 44-171- 8732526
● The Four Elements: this exhibition draws together prints and drawings from five centuries to show the Four Elements – Fire, Water, Earth and Air – in mythology and real life. Mixing together artists from different times and traditions, the exhibition contrasts images of classical stories, domestic scenes and the frankly satirical. Included are works from the museum's collection by Manet, Dürer, Guercino, Bruegel, Gauguin, Hieronymous Bosch, Guardi, Rowlandson, Turner, Samuel Palmer, Constable, Piranesi, Tiepolo and others; to Sep 22
Dulwich Picture Gallery Tel: 44-181-6935254
● Dutch Flower Paintings, 1600-1750: this exhibition includes works by Ambrosius Bosschaert, Van Huysum, Rachel Ruysch, Jan Davidsz de Heem and Balthasar van der Ast and are from private collections; to Sep 29
Victoria & Albert Museum Tel: 44-171-9388500
● Susie Cooper (1902-1995): style, affordability and good design were the key attributes of Susie Cooper's tableware. This memorial display shows a cross-section of her work from the Art Deco years of the late 1920s and 30s through the bone china made by her own factory and her late designs of the 1980s; to Sep 15

■ LUCERNE

CONCERT
Kunsthaus Luzern Tel: 41-41-210 35 62
● New York Philharmonic: with conductor Kurt Masur and horn-player Thomas Stacey perform Rorem's English Horn Concerto and Bruckner's Symphony No.4; Aug 28

■ NEW YORK

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● American Printmaking 1860-1900: Winslow Homer and His Contemporaries: an exhibition to complement the Homer painting retrospective by providing a context for the artist's printmaking efforts. Drawn entirely from the museum's collection, Homer printmaking from his early and late career is shown along with works by printmakers active during Homer's career; to Sep 22

■ PARIS

EXHIBITION
Musée Carnavalet Tel: 33-1 42 72 21 13
● Georg Aerni – Panoramas parisiens: exhibition of a series of panoramic views of Paris by the Swiss photographer Georg Aerni; to Sep 29

■ SALZBURG

OPERA
Grosses Festspielhaus Tel: 43-662-80450
● Moses und Aron: by Schoenberg. Conducted by Pierre Boulez and performed by the Koninklijk Concertgebouworkest and the choir of De Nederlandse Opera. Soloists include David Pittman-Jennings, Chris Merritt, Gabriele Fontana, Yvonne Naef, John Graham Hall and Pär Lindskog. Part of the Salzburger Festspiele; 7.30pm; Aug 28

■ WASHINGTON

EXHIBITION
Freer Gallery of the Smithsonian Institution Tel: 1-202-357-2700
● In Human Form: Secular and Divine Images in Chinese Painting: this exhibition examines actual and symbolic images of people as they appear in Chinese painting. The human figure has been the central topic of Chinese painting since the Han Dynasty (206BC-AD220); to Sep 2

■ ZURICH

EXHIBITION
Museum für Gestaltung Zürich Tel: 41-1-446 2211
● Perlen. Aus der Grafischen Sammlung: exhibition featuring highlights of the museum's collection of graphic arts; from Aug 28 to Oct 6

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COMMENT & ANALYSIS

Martin Wolf

The politics of growth

The key to understanding why some developing countries are doing better than others lies in the way different state structures respond to economic pressures

In the mid-1950s Ghana and Thailand had much the same income per head: so did Nigeria and Indonesia. By 1994, Thailand's real income per head was almost three and a half times Ghana's and Indonesia's three times Nigeria's. Countries facing the same international economic environment and possessing very similar resources have succeeded wonderfully or failed miserably. Why is this – and can more countries shift from the latter to the former category?

"The proximate causes of growth are the rate of investment and its efficiency," argue professors Deepak Lal of the University of California at Los Angeles and H. Myint, formerly of the London School of Economics, in their remarkable book, *The Political Economy of Poverty, Equity and Growth* (Clarendon Press, Oxford). But these in turn are determined by the actions of governments, which can underpin – or demolish – investment opportunities.

Whatever governments can do for development, there are three things they must do:

- Provide the basic public goods, above all security of life and property, at tolerable cost in terms of taxation.
- Ensure fiscal and monetary stability.
- Allow citizens to exploit the global economy.

Too often governments have failed to carry out even this limited list of duties. The Human Development Report from the United Nations Development Programme lists 70 countries with income per head no higher today – and often much lower – than in the 1960s and 1970s. Thirty more have income per head no higher than in the 1980s. In every case, states have failed on one of the above counts, often all three.

Why? The answer demands on an understanding of the interaction between politics and economics. Profs Lal and Myint answer persuasively that governments have either failed to understand how to do better, or seen no interest in doing so, or both.

There is almost universal recognition of the disastrous consequences of heavy-handed dirigisme – usually including a bias against trade, needless controls on economic activity, penal taxation of agriculture, promotion of state enterprises and suppression of financial markets. Less understood is how often the goal of "nation-building" has been used to justify such excesses. But the maggots of corruption, tax evasion and illegal activity have then rotted the states such dirigisme was intended to strengthen.

Yet it is to the understanding of interests rather than ideas that Profs Lal and Myint make their most innovative contribution. One helpful way of thinking about the political economy of development, they suggest, is in terms of an economic model with two agricultural products, several manufactures (produced with different ratios of capital to labour) and three "factors of production" – labour, capital and land.

All developing countries have a a higher ratio of labour to capital than the world average. That is what underdevelopment means. But some also possess a higher ratio of labour to land – these are "labour-abundant" countries. More often, developing countries are "land-abundant", with higher ratios of land to both labour and capital than the global average. Or they fall in between, being neither labour- nor land-abundant. Land-abundant countries are underdeveloped, but may not be poor.

A labour-abundant country starts its development with very low real wages and a clear comparative advantage in labour-intensive manufactures. Hong Kong was an example. By contrast, land-abundant countries, such as Argentina, start with higher real wages and no comparative advantage in labour-intensive manufactures.

Labour-abundant countries find it relatively easy to break into markets for manufactured exports, because their wages are low. Workers in fast-growing labour-abundant countries will also enjoy rising real wages. But land-abundant countries are uncompetitive in labour-intensive manufactures, because their wages are higher. And, it turns out, their workers will experience long periods of stagnant or even falling real wages, unless their capital stock grows very quickly.

To overcome the initial obstacle of its relatively high labour costs, the government of a land-abundant country intent on industrialisation will be tempted to intervene heavily. This helps explain the protectionism and "big-push" industrialisation of Brazil or Mexico. Moreover, such countries will be riven by distributional struggles between those who live off wages and those who live off the returns to land (or other resources).

These economic pressures interact with the structure of the state. Economists too often assume the government is a benevolent maximiser of social welfare. A more realistic view, proffered by Profs Lal and Myint, divides states into two groups: the autonomous, usually despotic, largely free of pressures from the governed; and the factional, where such pressures are the stuff of politics (see chart). Of the 21 countries in the sample studied by Profs Lal and Myint, 11 are classified as factional states, six as predatory autonomous states and just four as benevolent ones.

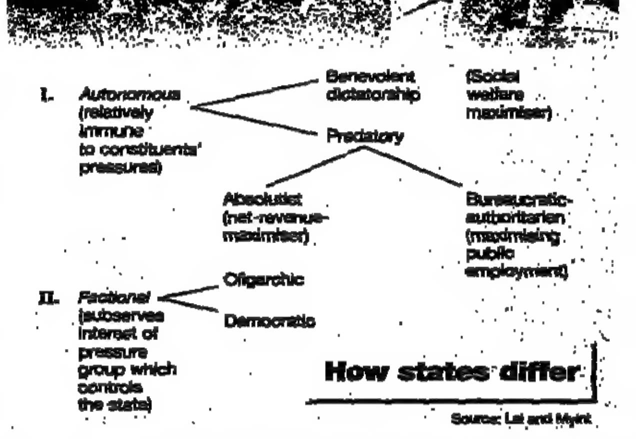
Benevolent autonomous states, among which are included Hong Kong and Singapore, have performed rather well. But such states are inevitably rare: power and old age tend to corrupt rulers.

Encouragingly, democracies have proved no more hostile to successful economic development than bureaucratic, let alone kleptocratic, despotisms – a point also made by Professor Jagdish Bhagwati of Columbia University, New York, in his Rajiv Gandhi memorial lectures of 1994. But if democracy is to be compatible with successful development, the implementation of sensible overall policies must be reconciled with the government's inescapable need to gain support from the governed.

This may be less difficult for the labour-abundant economies because their natural development path enriches the majority of the population. It will also be relatively easy for countries where ownership of natural resources is fairly evenly distributed. But it will be very hard for governments of land-abundant economies, particularly ones with concentrated land-ownership.

Yet all governments must permit their countries to move along the path of their dynamic comparative advantage. Equally, they must limit the politically mandated entitlements that are granted to satisfy lobbies or reconcile the many to a growth path that initially enriches the few. Excessive entitlements make it more difficult for an economy to adjust to adverse economic shocks. The dire result has been the inflationary-cum-balance-of-payments crises that explain the growth collapses of the last two decades.

Will governments do better in future? Possibly. One reason for optimism is the wider appreciation of the role of the market. Another is the crisis-induced imperative of reform. But even governments of stable industrial democracies find it difficult to contain the demands upon them. The needed self-discipline will continue to be impossible for governments of many developing countries, whatever their own desires.



How states differ

Source: Lal and Myint

LETTERS TO THE EDITOR

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Electronic dream is still hampered by fears of intrusion

From Mr Jack Savidge.

Society's adoption of the "electronic purse", cited in "A world that turns on plastic", (August 23), will take longer than 10 years. Let's look at history.

At 3M Company, in 1964, I pioneered the travel and banking industry adoption of the magnetic strip for credit cards. Then industry had two questions: (1) is this a valid credit card? (2) is the person handing me this card the valid owner? Time and technology have solved question one. However, the question of card carrier validity remains. During the late 1960s and the 1970s, industry evaluated all manner of human biometrics to link the card to the carrier. We all have unique elbow and palm prints, urine, wrist vein and retinal patterns, signature pressures and index finger and big-toe shapes. Consumer panels recoiled at the methods proposed to capture these human identifiers. Even now we feel invaded having our picture on ID cards. Surely it will be a long time before people will stand before an eyepiece to have their retinas laser scanned.

Now to the long-awaited personal information card. At inauguration, the magnetic strip was forecast to be a pocket storage of medical records, credit data and a re-loadable source of petty cash.

Yet in 1996, after enormous advances in magnetic storage density, the magnetic strip only contains the 13-digit card number and authorisation PIN used as a substitute for keyboard data entry.

Will the "smart card" do better? I think not. We must await the next technology, a low-cost, re-usable, CD-Rom-like, optically recorded card. Then, just maybe, we can fulfil the portable electronic document dreams set in motion 30 years ago.

Society will fight personal identifier intrusions while remaining slow to adopt new ways.

Jack Savidge,
6898 Paseo Laredo,
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CA 92037, US

An eye on civil liberties

From Mr Onésimo Alvarez-Moro.

Sir, As standards are being unified on a European basis, we should also look to equalise the Europe-wide list of civil liberties which need to be protected.

Let us start with identity cards and street video cameras. In England, video cameras seem to have become more prevalent than those ubiquitous satellite dishes. The cameras were installed with barely a whimper from civil libertarians. In contrast, the persistent suggestions that an ID card be introduced there have met with howls of protest. In Spain, where ID cards are more common than credit cards, they are up in arms over the possible installation of video cameras.

I wonder how many pages the European Commission's report to unify standards will take? Sounds like we will need another campaign to "save our forests"!

Onésimo Alvarez-Moro,
13 Andrewes House,
Barbican,
London EC2Y 8AX, UK

Leadership crucial to integration

From Mr Andrew Cecil.

Sir, Michael Stürmer's Europa article, "Resisting the melting pot", (August 16), implies there is a momentum with a subconscious persona fuelling the engine of European integration. Is this really the case?

With the exception of the perceived Frenchman's vision of Europe and what Stürmer describes as the Germans' insecurity about their national dream, I fear that the majority of the other 370m Europeans would agree that European integration is hardly a self-fulfilling development.

I doubt that Jacques Delors, François Mitterrand and Helmut Kohl would relish the thought of being informed that they had worked towards an ideal that was likely to be realised in any case, independent of their tireless efforts.

True enough, political union should not be rushed into or "engineered", and similarly questions need to be asked at present about economic and monetary union (Emu), in particular whether it is not being forced upon European citizens, either to satisfy the political ambitions of the ruling elite within Germany or other member states, or based on a mistaken apprehension that unless the Maastricht Treaty is followed Emu is doomed.

However, this should not detract from what is self-evident from European history – that without common leadership and shared objectives, Europe's varied economic, social and cultural heritage risks pulling the continent apart.

Andrew Cecil,
rue [illegible] 34,
1050 Brussels, Belgium

A time for diligence

London's Aim junior market has grown fast – perhaps too fast, says Christopher Price

For some investors, the start of the London Stock Exchange's first annual review of its junior market last week could not have come soon enough.

A growing number of those participating in the Alternative Investment Market have been worried by the sharp rise in the number of companies gaining admission, the conduct of advisers and an increase in flotation prices.

They have complained that the rising valuations of companies coming to the market often fail to recognise the high-risk nature of some of the ventures.

The failure of many of the summer's new issues on Aim to rise above their flotation prices has added to the unease.

"Too many companies have been coming too quickly, and there will undoubtedly be casualties as a result," says Mr Geoff Douglas, small companies analyst at Barclays de Zoete Wedd, the investment bank.

But concerns over the regulation of the new market have deepened in recent weeks following a spate of unwelcome developments. These include the censuring of the chairman of Optical Care (Bermuda) for failing to mention his association with failed companies; the resignation of the adviser and broker of Firecrest, the media and information company; and profits warnings from Active Imaging and Self Sealing Systems.

Matters were not helped by the Securities and Futures Authority inquiry into share dealing in Skynet Corporation on the Ofex market, a private unregulated facility which was acting as a springboard for prospective Aim members. Skynet's Aim application has been put on hold pending the outcome of the authority's inquiry.

The concern over the market's regulation is felt by some of Aim's staunchest supporters, who have broadly welcomed the Stock Exchange review of the conduct of advisers, brokers and companies.

"The market's weakness is that due diligence has not been as good as it should have been," says Mr Brian Winterflood, head of Winterflood Securities and the only marketmaker to deal in all 205 Aim shares. "The consequences of this first review will be enormous. The Stock Exchange needs to get tough – and need to be seen to be getting tough."

Theresa Wallis: Aim is a higher-risk market

The burden of any remedial steps is likely to fall on the nominated advisers – the brokers, accountants, financial advisers and law firms which play a crucial role in regulating Aim.

All companies quoted on the new market must employ one of the 60 so-called "nomads" approved by the Stock Exchange. The nomad is responsible for scrutinising a company's admission documents and ensuring that the directors comply with market regulations. This responsibility does not end at admission, but continues as long as the company trades on the market.

Unlike in the main market, the Stock Exchange plays no direct role in scrutinising Aim companies. Instead it relies on the nomads' desire to protect their reputations as the market's main means of regulation.

However, the popularity of Aim has put the nomads' role under strain. In July, for example, some 35 companies joined it – more than double the monthly average. This led to fears that due diligence duties could suffer.

There are fears of a repeat of what happened on the main Stock Exchange market in 1994, when a rush of new issues was followed by some high-profile corporate problems. The subsequent collapse of one of them, Aerostructures Hamble, the aircraft parts maker, led to questions over the level of scrutiny.

Aim was designed to be a cheap, easily accessible market for young and growing companies. The Stock Exchange has thus been keen to recruit nomads which can offer their services at competitive prices. This has discouraged the bigger, more experienced brokers, which do not see the new market as financially attractive.

Some nomads also argue that companies baulk at paying the fees necessary to carry out the correct level of due diligence. This is a particularly time-consuming job with start-up companies, as shares quoted on the new market need no minimum trading record.

The result is that companies are increasingly going to nomads which offer the service at a lower cost – and there are fears that this is leading to lower standards of scrutiny. It is this factor that has led many large institutional investors to stay out of Aim.

"Cheaper nomads with lesser reputations to protect are the big danger to this market," says one leading adviser.

Some nomads, such as stockbrokers Rowan Dartington and Teather & Greenwood, have decided not to bring any more companies to Aim in the near future because of its state. Gerrard Vivian Gray, one-time adviser to Firecrest, Optical Care and Skynet, has hinted that it may quit the new market altogether.

The Stock Exchange dismisses concerns over the nomads and insists it will take appropriate action against any wrongdoing it discovers.

"We have always said that this is a market which is higher-risk, and if it were not structured in the way it is it would not be as accessible to the young, growing companies being targeted," says Ms Theresa Wallis, the market's chief executive.

She also points to the undoubted success of Aim in establishing a platform for young and growing companies to raise capital. Since trading began last June, almost £650m has been raised and the market is capitalised at £4.3bn.

Investor confidence has been underpinned by the strong performance of the UK stock market, which has been reflected in the Aim. More than 65 per cent of shares on the new market are now higher than their admission price.

Aim has also benefited from generous tax breaks for wealthy private investors, who consequently make up a large proportion of its backers.

But they, along with many other market participants, will be keeping a close eye on the Stock Exchange's actions as the review unfolds over the coming weeks.

COMMENT & ANALYSIS

FINANCIAL TIMES
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Tuesday August 27 1996

The Balkan slowcoaches

It becomes ever more apparent that Bulgaria and Romania have the sickest economies in central Europe. Their present woes are causing the two Balkan states to fall further behind the fast-track reformers, such as Poland, Hungary and the Czech Republic, in former communist Europe.

Nominally they have kept pace with other countries from the region in the competition for early membership of the European Union. They have managed to answer all the questions put by Brussels as a prelude to entry negotiations. But economically they look increasingly semi-detached among the 10 EU applicants from eastern and central Europe.

The $582m stand-by credit approved for Bulgaria last month by the International Monetary Fund has pulled that country back from the brink of default, at least for the moment. But IMF officials arriving in Sofia last week for an initial progress review can hardly feel sanguine about the prospects for success. Bulgaria has consistently lagged behind others in the region on privatisation, banking sector reform and the restructuring of large, loss-making, state-owned enterprises.

The price of these failures has mounted rapidly. The collapse of confidence in the lev has caused the Bulgarian currency to lose 65 per cent of its value since the start of the year. Interest rates have climbed to 108 per cent, and the monthly rate of inflation reached a record 23 per cent in July.

Painful sacrifices

The IMF package addresses these woes, but its tough terms will demand yet more painful sacrifices from a population already burdened by economic dislocation and the need to queue interminably, whether to retrieve their deposits from the crumbling banking system or to buy bread.

Not surprisingly political leaders in Romania show an allergic reaction to comparisons with their southern neighbour. They argue correctly that there are sharp differences in some key fundamentals, not least the two countries' levels of foreign indebtedness. Indeed, while Bulgaria has teetered on the edge of default this year, Romania has been making successful forays into the international capital markets. Until recently it has managed to obtain finer terms on each foray.

Tide turning

But there are signs that the tide is beginning to turn ahead of November's general election. Facing possible defeat, the government is increasingly using regulation in the foreign exchange market to prop up the leu artifically in preference to taking the tough measures necessary to restore confidence. Following the restriction of foreign exchange licences in the spring, it introduced stringent regulations this month requiring some companies to surrender their export earnings.

Arbitrary changes in the rules of the game, in the hope of achieving short-term electoral gains, are only staving off the day of reckoning for Bucharest. The IMF is still freezing further disbursements to Romania because of the country's non-compliance with the existing stand-by arrangement.

The issue for Bucharest, whichever government is formed in the late autumn, is not necessarily the speed of reforms but the credibility and consistency of policy. As the World Bank's recently published World Development Report points out, the debate about "big bang" versus "gradualism" in the transition strategies of different east European countries misses the point. The vital issue is that reforms should be consistently implemented, with determination.

In general the determined, consistent reformers, such as Poland, the Czech Republic, Estonia and Slovenia, are performing better than laggards such as Bulgaria and Romania. Bulgaria at present has little choice but to go along with the IMF prescription, but the exhortations from Washington are falling on deaf ears in Bucharest.

The housing benefits mess

Of all the policies that make up the UK welfare state, public support for housing has always been the hardest to get right. Sir William Beveridge tried, and failed, to come up with a solution in his famous 1942 report. He admitted at the time that his proposal would only "make the best of a difficult situation". By any reckoning, however, the present system makes the very worst of it.

There are two main problems, both of which have mushroomed in recent years: the cost of means-tested housing support; and its pernicious side-effects. Spending on housing benefit is projected to be £11.1bn during 1996-97, more than double the amount spent in 1989-90 and 10 times the 1979-80 total. There is nothing wrong, in principle, with the government spending £11.1 bn, or 1½ per cent of gross domestic product, on one segment of social policy. Many rich countries spend much more on different types of housing support. Few, however, spend it on a single benefit – one, moreover, that encourages fraud and long-term dependency on welfare by the unemployed.

These were not the effects the government had in mind when it decided in the 1980s to reduce public subsidies for the construction of social housing in favour of means-tested individual rent rebates. The aims were to reduce the distortions in the housing market caused by having such a large gap between private and social sector rents, and to target housing subsidies to people in need more effectively. Spending much less on "bricks and mortar" subsidies and much more on housing benefit has achieved both objectives. But few would argue that the gains have been worth the unintended costs.

Creating ghettos

On conservative estimates, at least £1bn of the total housing benefit bill consists of fraudulent claims, many made by private landlords rather than benefit claimants themselves. The government has recently stepped up its efforts to tackle the problem. Doubtless it could, and should, do more. But the most effective anti-fraud controls will not address the worst side-effect of the system – that it gives recipients no incentive to find work or seek cheaper housing, and has made social housing a ghetto for only the very bottom rungs of society.

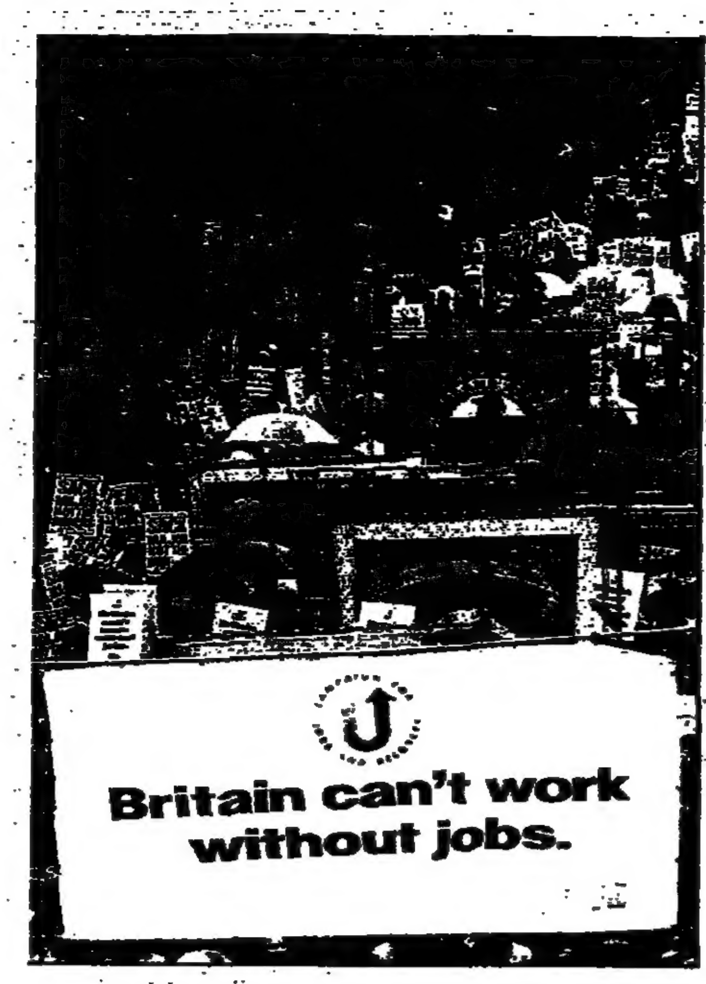
Policy reversal

The various reforms announced in recent budgets have scarcely nibbled at the edges of these problems. This is because seriously addressing the flaws of the system would require a reversal of more than a decade of government housing policy or large amounts of extra spending – or, most likely, some combination of the two. Ministers are not the only ones to have baulked at the challenge. Their Labour shadows have been equally wary of promising detailed reforms.

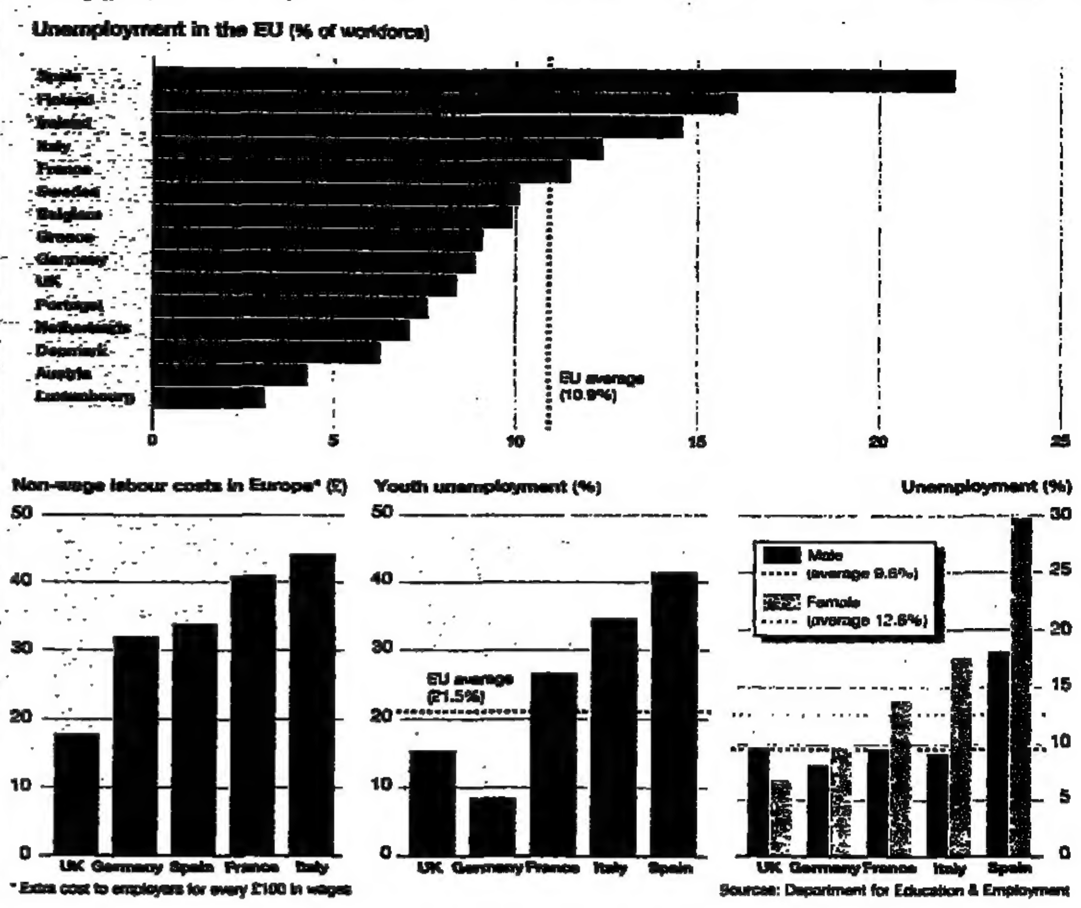
There is no simple way out of the housing mess, still less a quick or inexpensive one. Cutting or capping the amount of benefit would give recipients an incentive to find cheaper housing. But it would also hit the pockets of non-working households, many of which – particularly those headed by pensioners and single parents – would need to be compensated.

Reformers could leave poor pensioners unaffected by increasing the amount of additional income support which the elderly receive. Likewise, non-working families could be helped by fiddling with housing and in-work benefits to improve the incentives for taking even very low-paid work. But neither measure would come cheap.

Nor would the reforms solve the fundamental problem caused by reducing bricks and mortar subsidies: that it has pushed up rents for low-income households just as the starting wage offered to those at the bottom of the labour market has begun to decline. But such a reform package would at least follow Beveridge in seeking to make the best of a difficult situation. The same cannot be said of the status quo.



UK and the social chapter: the figures behind the arguments



* Extra cost to employers for every £100 in wages

Sources: Department for Education & Employment

Unions learn to love Europe

Enhanced worker rights delivered by Brussels have helped labour organisations back a strong role for the UK in Emu, says Robert Taylor

The impact of European employment law on the UK labour market will be one of the big issues dividing the political parties at the next general election. Mr John Major, the prime minister, has called the European Union's social chapter, which he refused to sign in 1991, "immoral". Mr Tony Blair, the Labour leader, is committed to the social chapter, although he has assured the business community he will do nothing to injure UK competitiveness.

Most UK employer organisations condemn social legislation emanating from Brussels in sweeping terms, claiming it adds costs to business. Mr Graham Mather, Conservative member of the European Parliament and president of the European Policy Forum, the rightwing think-tank, believes the UK's flexible labour market is under threat from "the advance of old-fashioned collective bargaining, mandated interference with employment contracts, state-controlled adjustment of working hours and types and patterns of work".

But Britain's trade unions have been turned into Euro-enthusiasts by the development of "social Europe". "The more Britain's unions have contributed to Europe the more we have secured in return," argues Mr John Monks, general secretary of the Trades Union Congress.

"The social protocol has legitimised our minimum labour standards agenda in the workplace," adds Mr David Lea, assistant general secretary. He is the architect of the TUC's pro-European strategy, launched in September 1988 when Mr Jacques Delors, the then European Union president, swept British union leaders off their feet with his vision of a workers' Europe.

Next month the TUC's annual Congress is expected to back a report that spells out the favourable impact the EU has had in strengthening individual worker and trade union rights. These gains have made it easier for the trade unions – weakened by 17 years in the political wilderness – to advocate a leading role for the UK in the planned economic and monetary union.

But the well-known fears of British employers and the hopes of UK trade unions about the meaning of social Europe which have been expressed in the UK's public debate distort rather than clarify the reality of what is actually covered by the EU's limited social agenda.

"There is no sense in which a core of community labour law principles can be identified; outside the areas of equal opportunities and health and safety, harmonisation to date is incomplete and sporadic," says Professor Gillian Morris of Brunel University.

"So far EU social legislation has had only a very patchy impact on the UK," agrees Ms Jane Mann, who chairs the Employment Lawyers' Association and is a solicitor with Fox Williams, the London firm. In her opinion the EU's impact has been "significant" in extending sex equality rights and providing protection for employees in business transfers but "insignificant" almost everywhere else.

As Lord Wedderburn, the eminent labour lawyer, explains: "The EU's social agenda is little more than a series of procedures. It has not so far even guaranteed internationally recognised core labour standards, like the right of workers to join trade unions and practise collective bargaining as well as the right to strike."

Few social measures have actually emerged from Brussels that have made an impact on the UK. Nor has much evidence been produced to suggest they have added to business costs or undermined competitiveness. The independent Policy Studies Institute estimated earlier this year that extending equal rights to the UK's 5.4m part-time employees in line with EU intentions would add only 0.5 per cent to pay bills. However, Mr David Marsden at the London School of Economics' Centre for Economic Performance says no economic analysis has yet been done on the costs of EU social legislation on business and employment.

Under the Social Chapter the EU states can implement by qualified majority voting measures on: health and safety and other working conditions; consultation of workers; equality of men and women in the labour market; and the integration of those excluded from the labour market.

But the UK can still veto any proposals for the following measures: social security and social protection; protection of workers where their employment contract has been terminated; and the representation and collective defence of the interests of workers and employers, including worker representation on company boards. Pay issues are not covered at all by the EU social agenda.

However, the UK opt-out has not proved effective in insulating the country from social legislation. All EU social regulations apply to UK nationals as well as UK-owned companies operating in other EU member states. The European Works Council directive was the first to pass under the social protocol, and the UK opted out. But UK companies must comply with it for their European employees and none of those which have so far created consultation and information committees have excluded their British workers. "Our attitude is pragmatic. Companies cannot ignore the law but they need to find workable and effective solutions," says Mr Peter Reid, European affairs head at the Engineering Employers' Federation.

Earlier this year European employer organisations and the European Trade Union Confederation negotiated an unpaid parental leave agreement. Again, the UK was not directly involved – thanks to the opt-out. But the TUC estimates more than 400 UK companies must implement the parental leave provisions in their continental European subsidiaries.

"British unions will step up their campaign to win the same deal for up to 3m British employees who work for Euro-multinational companies," says Mr Monks at the TUC. "Our experience with the European works councils shows most companies recognise they cannot opt their UK workforce out from benefits available in the rest of Europe."

The European Court's imminent judgment on the legality of the working time directive may widen the scope for more provisions to be agreed under the social chapter – which the UK would eventually have to accept as UK companies comply with their legal responsibilities in mainland European operations.

However, the EU's priority is to make labour markets more flexible to combat mass unemployment and ensure the convergence criteria for monetary union are upheld with curbs on government spending and elimination of budget deficits. Outside the UK, the EU's social agenda arouses little passion.

This is the third and last in a series on the social chapter and the UK.

EU social legislation affecting the UK

- **1975 Collective redundancies directive**
  Companies must inform and consult their employees where large-scale redundancies and business transfers occur. Under 1995 UK regulations this does not apply if 19 or fewer redundancies are planned within a 90-day period.
- **1977 Transfer of undertakings and 1980 Insolvency directives**
  The first guarantees the continuity of employees' contractual and statutory rights in cases of company mergers and business transfers and was transposed into UK law in 1981; the second protects workers' pay when a company ceases trading.
- **1975 Equal pay directive and 1976 Equal treatment directive**
  These have led to the introduction of an equal retirement age for men and women; the extension of rights for pregnant women and those on maternity leave; and removal of discrimination against part-time workers.
- **1993 Working time directive**
  This will come into force on 22 November this year unless the European Court upholds the UK's legal challenge. It says that workers do not have to work for more than 48 hours a week, including overtime, unless they agree. Workers in continuous process industries, transport, emergency services, fisheries and offshore oil are exempt. It also lays down other conditions.
- **1994 Young workers directive**
  This is likely to come into effect in the UK this autumn. It limits 14 to 17-year-olds to two hours work a day and 12 hours a week with night work prohibition until 2000. Young workers must have a daily 30-minute rest-break and a weekly rest period of at least two days.
- **1996 Posted workers directive**
  This requires that workers sent to work abroad by their employer should receive the same pay and conditions as comparable workers in the country where they are posted.

· OBSERVER ·

Well-greased Chicago

■ Chicago is going overboard to make this week's Democratic party convention more than just a political party, book-ending the convention between an air show and its famous jazz festival. For the Democrats, the city is trying to repair the bloody images the world remembers from the televised riots of 1968, the last time President Bill Clinton's party staged a Chicago convention.

Thus the authorities have thoughtfully greased the equestrian statue of Civil War general John Logan, standing across the street from the Hilton hotel. Back in '68, protestors mounted Logan, unfurled anti-war banners and taunted police.

Peace should reign this time; the 35,000 delegates will barely be noticed. Chicago routinely hosts much larger conventions; September sees the International Manufacturing Technology Show, with perhaps 115,000 free-spending business folks hitting town. That too won't be a riot – it may not even be a ball.

Can't refuse this

■ Professor Franco Modigliani, the Nobel prize-winning economist, is about to bite off more than he can perhaps chew.

He's speaking next month at a Palermo conference, extolling the virtues of an island best known for an informal system of corporate taxation. Convincing international businesses to invest in Sicily rates high in Observer's scale of intellectual challenges.

The conference programme makes no reference to Sicily's unusual business culture. But Michele Geraci, a Sicilian former student of Modigliani who is helping to organise the event, admits "little can be done until corruption is tackled". A new recruit to Merrill Lynch's London corporate finance department, Geraci looks on the bright side, pointing to Sicily's growth as a telecommunications hub. But he also concedes that "Sicily's main export is a bad name."

Same old story

■ Former dissidents never quite leave the political stage, as Jacek Kuron, a stalwart of Poland's 1970s Workers' Defence Committee and Labour minister in the first post-1989 Solidarity government, shows.

Kuron, now 68, dropped from public view after a disappointing result in his bid for Poland's presidency last autumn. But he re-emerged at the weekend at a conference organised by his party, the Freedom Union, to commemorate the 16th anniversary of Solidarity's birth.

Kuron and his colleagues wanted to remind Solidarity – now slipping towards the populist and nationalist right – that they too played crucial roles in making it all happen in 1980. The Freedom Union also wants to see some unity against the former communists now running the country. His pleas seem to be falling on stony ground. Piotr Zak, Solidarity's spokesman, says that although the opposition needs to unite to unseat the former communist coalition in parliamentary elections next year, the ballot will probably see at least three competing non-communist groups.

Internal bickering, splits in the opposition – quite like the good old, bad old days.

Fuel for thought

■ Been stuck in an August weekend traffic jam? Hear this. Germany's Mercedes-Benz has been offering one-day training courses that teach drivers how to cut fuel consumption by an average 30 per cent.

The tricks include simple things such as turning the engine off at traffic lights, driving in as high a gear as possible and making sure that the tyres are properly pumped up. There are environmental benefits, too; exhaust emissions are reduced by about 15 per cent in the process, Mercedes says.

Thomas Achelis, a German journalist who tried the so-called Eco-Training, said he drove 57km on 1.59 litres, with an average fuel saving of 42 per cent. Mercedes is running 12 courses this year and double that in 1997.

Monkey business

■ There's a new attraction in the ape house at Copenhagen's zoo. Two homo sapiens – one male, one female – have taken up residence. Henrik Lehmann, 35, and Malene Botoft, 29, will live in a furnished plexiglass cage, complete with fax machine and computer, until September 15.

Lehmann and Botoft will, ahem, be on show, doing what comes naturally. Not that voyeurs should get their hopes up: "Onlookers will be disappointed if they expect to see the couple having sexual relations . . . Such intimate behaviour is reserved for after hours, with only the monkeys as witnesses," says zoo spokesman Peter Haase.

Just so long as they don't publicly argue over who does the washing up, we'll be more than content.

The Financial Times

100 years ago

French alcohol monopoly

It is reported from Paris, on the authority of the "Matin" that the question of a state monopoly in alcohol is to be raised in the French Legislature next session; and the news will strike terror into the heart of the tourist. The British visitor has discovered, with delight, that when he orders whisky he is allowed the free run of the bottle for 50 centimes and it is improbable that this state of bliss would be allowed to continue under a state monopoly.

50 years ago

Anglo-Iranian Position
By Diarist

A correspondent suggests that Anglo-Iranians are a more attractive purchase than Shells. While I think he underrates the recovery potentialities of Shells, there is no denying the superior attractions of Anglo-Iranians purely on yield considerations, present and prospective.

But the geographical position of the properties has, of course, certain disturbing implications which cannot be disregarded so long as Russia's post-war aims give rise to anxious uncertainty. Anglo-Iranians are not for the investor who finds difficulty in sleeping soundly; but for those with stronger nerves, the shares have their points.

FINANCIAL TIMES
Tuesday August 27 1996

$2.4bn plan for Turkish gas and power project

By John Barham in Ankara

Royal Dutch/Shell, MW Kellogg of the US and Japan's Mitsubishi Corporation have announced plans to build a $2.4bn liquefied natural gas terminal and power station complex in Turkey.

The project will have generating capacity of 2,000MW, enough to contribute significantly to the country's fast-rising energy needs.

If approved, it would be one of Turkey's largest foreign investment projects, and its announcement is a sign of international confidence in Turkey only two months after an Islamist-led coalition government took office.

Shell said it had met Mr Recai Kutan, energy minister, and asked for government permission to go ahead with the project. Under Turkish law, all foreign investment projects need government approval.

Permission is rarely refused for manufacturing or service industries, but leftwingers claim private foreign investment in public services is unconstitutional and have taken court action to block all but a few of them.

The consortium has not said where it will build the complex or when it will start work. It has sought authorisation to begin feasibility studies.

Turkey faces a potential energy crisis as consumption increases by about 8 per cent every year to a forecast 97.5bn kWh for 1996. It is the fastest-growing energy market in Europe.

There are plans for 20-30 foreign-financed power stations in Turkey, but few have received government approval. Mr Simon Blakey, director of Cambridge Energy Research Associates, said: "It is vital that a resolution be reached on what the rules of the game are. That is what is holding everything up."

The government is considering measures to avoid power shortages in the medium term as energy demand rises. Ministers would like to re-open eastern European-designed power stations mothballed for environmental reasons, build a $3bn commercial nuclear generator and import more natural gas from Russia, currently its only supplier. Turkey is to start importing electricity from neighbouring Georgia and Bulgaria.

This month Mr Necmettin Erbakan, prime minister, signed a controversial $23bn, 23-year deal to build a pipeline to import natural gas from Iran. But most commentators believe the project is unlikely to go ahead as the US is strongly opposed to it.

Vietnamese elite swing a club to beat their handicap

By Jeremy Grant in Hanoi

Top Vietnamese government officials are trying to overcome one of their most severe handicaps – an inability to play golf.

They realise that their lack of knowledge of the ins and outs of bunkers, bogies and birdies is putting them at a disadvantage in the diplomatic circles of south-east Asia.

Golf is the main leisure activity for leaders of the Association of Southeast Asian Nations. Many of them prefer to solve the region's problems on the putting green rather than in the stuffy confines of an office.

Mr Nguyen Manh Cam, Vietnam's foreign minister, was recently spotted trying to master the basics of golf at a new Korean-financed driving range in Hanoi. He is among several top Vietnamese officials taking to the fairways.

Last month, at the Asean foreign ministers' summit in Jakarta, Mr Cam was left on the sidelines as his colleagues swung their clubs on the other side of town.

This week Vietnam's Department of Sports, in a scheme sponsored by Dutch brewer Heineken, will publish a 200-page booklet in Vietnamese on the rules of golf. It has been modelled on a manual issued by the Royal & Ancient Golf Club of St Andrews.

The scheme has been masterminded by Scottish golf-lover Mr Gordon Simmonds, formerly a corporate finance lawyer with Clifford Chance in London who now runs a sports consultancy in Hanoi.

"The ideal situation would be to have the foreign minister walking the golf courses of Brunei with the booklet in his pocket," says Mr Simmonds.

It would be hard to find a more unlikely place than Communist-run Vietnam for golf to take root. Like tennis, it has long been regarded as an elite pastime.

Badminton and team sports such as football have a fanatical following, and martial arts are all the rage.

Ironically, Vietnam was one of the first Asian countries to have a golf course. The country's first golfer and last emperor, Bao Dai, built a nine-hole course at his mountain retreat at Dalat in 1920. After his abdication in 1945, the course was overrun by weeds.

Not until the arrival of waves of foreign investors in the early 1990s was the game spoken of again.

There are now six foreign-financed golf courses, built to attract expatriates – mostly Japanese, Koreans and Singaporeans – but with the ultimate aim of signing up Vietnamese businessmen.

One, just outside Ho Chi Minh City, is landscaped with pillboxes dating from the Vietnam War. Bomb craters from US B-52 aircraft have been turned into bunkers.

Membership costs between $12,000 and $35,000 in a country with an average annual per capita income of only $250.

But the expense is no problem for status-conscious Vietnamese businessmen in booming Ho Chi Minh City, where the purchase of a top-of-the-range Mercedes car barely raises an eyebrow.

Former Korean leaders found guilty

Continued from Page 1

the action had been necessary to "right historical wrongs" and promote full public accountability of officials as part of Korea's move toward democracy.

The most serious charge levelled against the former presidents was their leading roles in a 1979 coup that ushered in a period of military-backed rule that lasted until 1993, when Mr Kim assumed power as a civilian president.

The two leaders also had been implicated in a military massacre of at least 200 pro-democracy demonstrators in the city of Kwangju in 1980, but the court concluded there was no evidence that they expressly ordered elite paratroopers to fire on protesters.

Mr Chun had said that the trial amounted to a case of victor's justice and was motivated by revenge and politics as Mr Kim sought to consolidate his political power. Mr Kim has purged the ruling party of conservative allies of Mr Chun and Mr Roh.

The trial has been marked by controversy since parliament last winter enacted special legislation that extended an expired statute of limitations for sedition and corruption so that the former presidents could be prosecuted.

Their defence lawyers resigned after accusing the court of rushing to judgment.

Lebed goes all-out for backing on Chechnya peace deal

By Chrystia Freeland in Moscow

Mr Alexander Lebed, the Russian security chief, yesterday launched a vigorous political offensive to win Kremlin support for his peace efforts in Chechnya.

The political manoeuvring in Moscow came after what one Russian official described as "the quietest night in the last year and a half" in Grozny, the Chechen capital, as a ceasefire brokered by Mr Lebed on Friday continued to hold.

The former general, who managed to avert a planned Russian attack on Grozny last week, was granted a 90-minute audience with Mr Victor Chernomyrdin, the prime minister, who has a sometimes prickly relationship with his younger rival.

Mr Lebed capitalised on the meeting, issuing a press statement which announced that the two men had "expressed their mutual satisfaction with the normalisation process and ceasefire in Chechnya."

But for the second time in three days Mr Lebed was snubbed by Russian president Boris Yeltsin.

A meeting publicly requested by Mr Lebed did not take place and Kremlin officials would not say whether the president planned to receive his envoy today.

According to Mr Yeltsin's spokesman, the president – who has been in almost total seclusion for more than two months – officially began his summer holiday yesterday.

Mr Lebed's swift progress towards a settlement of the Chechen conflict appears to have disconcerted many of Russia's more powerful politicians.

They appear to be weighing their desire for a quick end to the war against a reluctance to let Mr Lebed win public adulation as a peacemaker.

The biggest obstacle to a deal is expected to be the Kremlin's long-stated insistence that Chechnya remain a part of the Russian Federation.

Chechen separatists say they have worked out an agreement with Mr Lebed according to which the republic's status would be determined by a local referendum – a vote most observers believe would be overwhelmingly in favour of independence.

After 20 months of war, Russian troops in Chechnya appeared to be reluctantly going along with the new peace initiative.

Russian soldiers and Chechen fighters mingled freely in Grozny, where at least 450 Russian troops died in this month's fighting, according to official reports.

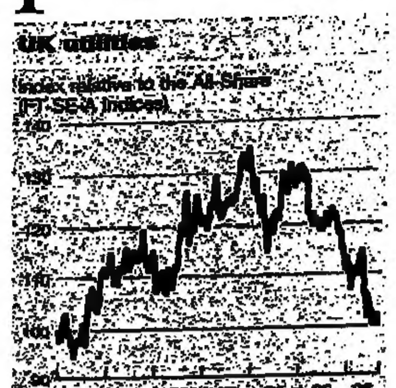
THE LEX COLUMN

Competition calls

The merger between WorldCom and MFS to create a $19.4bn telecom giant is a lesson in the virtues of being an entrepreneurial start-up in a bureaucratic industry. While old-style US telecoms groups have spent years downsizing their workforces and fighting rearguard actions to protect market share, WorldCom and MFS have expanded aggressively by concentrating on the fastest-growing and most lucrative segments of the market.

By joining forces, WorldCom and MFS have again stolen a march on the old guard. With the traditional barriers between long-distance and local telecoms falling, everybody is *talking* about offering customers one-stop shopping for "bundles" of services. The merger of WorldCom, a long-distance company, and MFS, which has local networks in business districts and a big Internet operation, actually does the job. Rivals such as AT&T (a long-distance group) and the Baby Bells (local companies) will now be under pressure to catch up.

Both WorldCom and MFS have in the past been seen as acquisition targets. But the terms of the deal suggest MFS had more suitors. WorldCom is paying a premium of about 50 per cent, with the result that MFS's shareholders end up owning more than half the company. More than anything else, this demonstrates how value is shifting in global telecoms: several years ago, the game was to target the lucrative long-distance market; now, with long-distance margins under pressure, companies realise the need for direct links with customers. That means local networks.



Utility regulation

Could Britain's utilities be about to enter a period of relative calm? This might seem a strange suggestion when hardly a week goes by without a utility regulator slapping harsh price caps on its charge or another row about so-called fat cat executives overpaying themselves.

But consider for a moment that what we are now witnessing is essentially a backlash against earlier excesses. The utilities were privatised with price caps that were too lenient. Many also hoodwinked their regulators when the controls came up for review for the first time by underplaying the scope for productivity improvements. The result was that most utilities enjoyed soaring profits and share prices following privatisation.

It is only in the past two years that the tide has really turned. As price caps have been reviewed again, regulators have tightened the screws. But we are now at the tail-end of this process. Over the past year, new regimes have been proposed or agreed for the water companies, regional electricity companies, British Telecommunications, the National Grid and British Gas's pipeline business. The Grid and British Gas could well drag out their current disputes with their regulators by appealing to the Monopolies and Mergers Commission. But once their regimes are agreed, price caps will be largely fixed throughout the utility sector until 2000.

Moreover, investors do not simply have a four-year breather to look forward to. The chances are that, even when the regulatory cycle comes round again, utilities will not face more punitive regulatory action. The backlash will already have achieved its purpose.

This is so for several reasons. First, regulators have become smarter at estimating the scope for efficiency improvements and so probably have not had the wool pulled over their eyes this time. Second, there is widespread agreement on the main parameters of regulation such as how assets should be valued and what is a reasonable return. Third, utilities have been handing back billions of pounds to shareholders through mega-dividends and share buy-backs; by the time of the next reviews, they should not be sitting on piles of excess capital that could tempt a regulator. Finally, their services are improving and prices are falling; at some point, they will gain credit for that.

There is one big cloud on horizon. The Labour party has threatened a windfall tax on utilities should it win the next general election. It has also talked about changing the whole basis of regulation. Investors should hope that if Labour exacts its pound of flesh through a windfall tax, it will forget about revamping the regulatory system. Better a one-off tax than continuing upheaval and uncertainty.

The prospect of a relatively quiet life could eventually cheer shareholders, who have had a bad couple of years. Utilities' profitability may never recover to the heady days immediately following privatisation. But the 7 per cent real returns on equity that regulators are now targeting will be decent enough if the companies settle into the safe, dull investments that were originally envisaged.

Share options

Investors have a right to be suspicious when managers ask for more share options. But British Biotech, which has won approval from the Association of British Insurers for a more generous option scheme, has a strong case. Over the next five years British Biotech needs to attract experienced executives to launch its drugs. As a loss-making company it cannot offer the salary packages or security of big pharmaceutical groups. The obvious solution is to lure candidates with options. But British Biotech argues that to get top people it needs to be more generous than suggested by the current ABI guidelines – a maximum of four times salary.

Under the proposals, British Biotech can award as many shares as it likes per year and per individual, as long as it does not issue more than 10 per cent of its capital over 10 years. In return, the ABI has insisted on tougher performance targets: British Biotech must deliver as high a return to shareholders as the top 25 FT-SE 100 companies; and the plan applies only to new recruits.

If relaxing the rules makes sense for British Biotech, why not for other companies? Certainly other biotech and high-tech companies will be able to make similar cases. But it would be a mistake to think that paying executives with larger dollops of equity makes sense only for fast-growing risky enterprises. Providing incentives for managers of mature companies is good too. The *quid pro quo*, of course, is that executives should in return receive lower basic salaries.

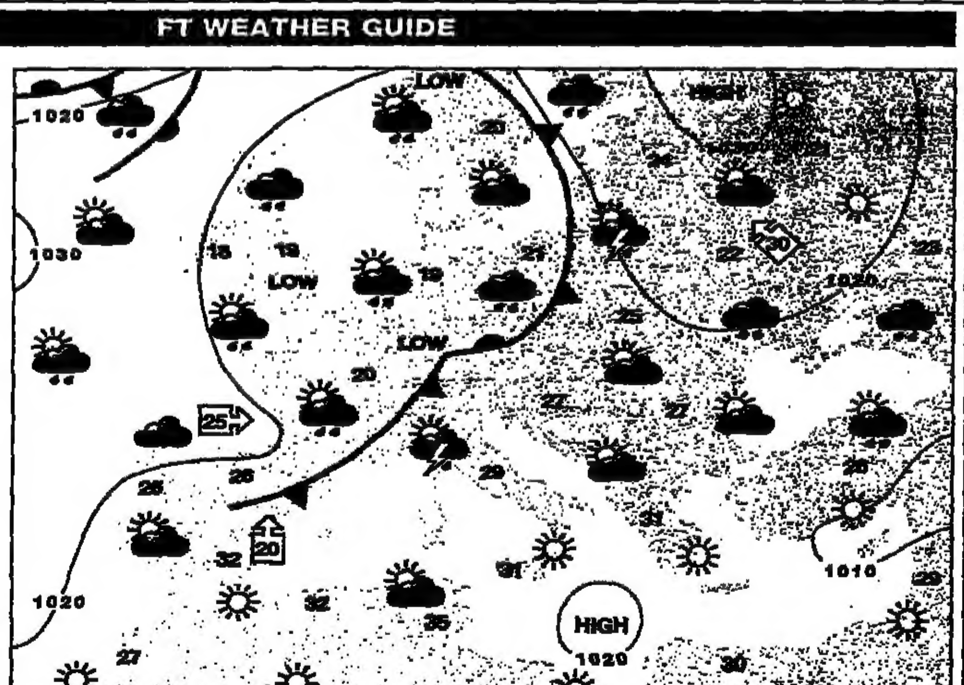
FT WEATHER GUIDE

Europe today

Scotland will have cloud and rain but the rest of the British Isles will have sunny spells mixed with showers. Scattered showers are expected in the Benelux and northern and central France, especially in the afternoon. There will be rain or showers near a front sweeping east across northern Spain, southern France, the Alps, Poland and Sweden. Some showers in northern Italy and Poland will be thundery. Strong high pressure will bring dry and sunny conditions to Russia. Southern Spain, southern Italy, Greece and southern Turkey will be sunny.

Five-day forecast

The British Isles, Benelux and Germany will be cool with scattered showers. More rain will occur in the Alps. Clearing is expected in France and northern Spain. Eastern Europe will continue rather warm with thunder showers. The Mediterranean will have a few showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 26	Caracas	fair 31	Faro	sun 27	Madrid	fair 28	Rangoon	rain 31
	Celsius	Belfast	shower 18	Cardiff	shower 18	Frankfurt	fair 23	Majorca	fair 29	Reykjavik	rain 15
Abu Dhabi	sun 42	Belgrade	fair 26	Casablanca	sun 24	Geneva	shower 21	Malta	sun 31	Rio	sun 29
Accra	shower 28	Berlin	shower 22	Chicago	sun 23	Gibraltar	sun 27	Manchester	shower 18	Rome	sun 29
Algiers	fair 32	Bermuda	fair 28	Cologne	shower 20	Glasgow	rain 17	Manila	shower 33	S. Frsco	fair 21
Amsterdam	shower 20	Bogota	fair 19	Dakar	fair 30	Hamburg	fair 21	Melbourne	rain 16	Seoul	fair 27
Athens	sun 31	Bombay	rain 30	Dallas	thund 29	Helsinki	fair 21	Mexico City	shower 18	Singapore	fair 32
Atlanta	fair 33	Brussels	shower 20	Delhi	fair 33	Hong Kong	cloudy 30	Miami	thund 34	Stockholm	shower 21
B. Aires	fair 16	Budapest	fair 25	Dubai	sun 41	Honolulu	fair 34	Milan	thund 25	Strasbourg	thund 23
B.ham	thund 18	C.hagen	shower 20	Dublin	shower 17	Istanbul	fair 28	Montreal	fair 21	Sydney	sun 21
Bangkok	rain 32	Cairo	sun 34	Dubrovnik	sun 28	Jakarta	fair 32	Moscow	sun 21	Tangier	sun 28
Barcelona	shower 25	Cape Town	shower 16	Edinburgh	shower 17	Jersey	shower 18	Munich	rain 20	Tel Aviv	sun 32
						Karachi	sun 33	Nairobi	fair 23	Tokyo	shower 23
						Kuwait	sun 47	Naples	sun 29	Toronto	fair 21
						L. Angeles	sun 26	Nassau	shower 31	Vancouver	fair 21
						Las Palmas	sun 28	New York	cloudy 29	Venice	thund 25
						Lima	cloudy 18	Nice	cloudy 26	Vienna	fair 23
						Lisbon	fair 26	Nicosia	sun 33	Warsaw	thund 24
						London	shower 20	Oslo	cloudy 20	Washington	fair 30
						Lux.bourg	shower 19	Paris	cloudy 21	Wellington	rain 12
						Lyon	rain 22	Perth	cloudy 17	Winnipeg	sun 28
						Madeira	fair 26	Prague	shower 22	Zurich	thund 19